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INDUSTRY AND CIVILISATION

BY

C. DELISLE BURNS

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PREFACE

THE following analysis and criticism of the moral standards operative in regard to economic activities is intended to result in (*a*) increasing a knowledge of moral philosophy, and in (*b*) correcting some of the traditional moral assumptions of economics. Systematic ethics is not much studied. Material has accumulated, but it has not been analysed : for the tendency has been to treat customs as mere matters of fact, without regard to the standards of value implied in them. Casuistry, or the discussion of moral problems taken separately, has been discontinued ; but the alternative, a general review of principles affecting the whole of life, seems to give no great promise of results. It has, therefore, seemed best to select a particular area of experience (economic activities) and to deal with moral problems and moral standards operative in that area. By such methods the meaning of " the good " and of right action may be made clearer without the subtleties of casuistry. This should be a contribution to Ethics. But the results should also indicate the meaning and validity of certain assumptions made by those who analyse economic activities ; and thus the discussion may be a contribution towards prolegomena to Economics.

Finally, the grouping of all economic activities with respect to their moral value implies a compre-

hensive view of the psychological data of economic life: and this should result in contributions to Psychology.

In general terms the results appear to be as follows: in Ethics the moral standard which is found to be operative is a form of "harmony," the good being an adjustment of growing impulses, which is personality, and an adjustment of such personalities in a social unit. The most interesting moral phenomenon in industrial life is the growth of the perception of an "economic community" similar to but distinct from the political community (the State) and the religious community (the Church). For the prolegomena to Economics the most important result is the integration of all activities across or between the boundaries of personality. This would make it necessary to revise all the traditional language about "motives" in general and particularly "self-interest." It should be impossible for the economist to assume that each man ought to pursue his own interest, especially as there is no such interest.

For psychology the result seems to be that mental life should be viewed as expressive rather than receptive; and so both producing and consuming are instances of *horme*. The further point that all taste, like all production, is group-life may also be fundamental, for little but the preliminaries to social psychology have so far been investigated: the group-mind can be read in such economic phenomena as factory production, advertisement and social fashion.

It will be obvious that although the field surveyed has not been viewed as a whole by any writer, the following investigation owes much to certain

scholars. Professor L. T. Hobhouse's *Social Justice* is taken as valid, and his conclusions, especially in regard to economic services, are implied in what follows here. Mr. J. A. Hobson's *Work and Welfare* has affected the outlook so intimately in the criticism of industrial practice that it is hardly possible to say what sentence is not dependent upon his work. In the general theory of Ethics, Taylor's *Problems of Conduct* and Alexander's *Moral Order and Progress* have both been used; and some smaller modern books have been particularly useful, as for example R. H. Tawney's *Acquisitive Society*.

In psychology nothing more is attempted here than a summary of those data which should be in view when moral standards are discussed; for it is impossible to say how persons ought to act unless we know what sort of persons they are. But the modern psychologists who are concerned with industry have not produced any comprehensive view of economic life; and Tarde's *Psychologie économique*, to which reference is made in what follows, is too indefinite for our purposes.

Since the subject-matter is economic life, some evidence has been found in the writing of economists, for example in Marshall's *Principles* and in Pigou's *Economics of Welfare*. Ethical and psychological assumptions can be found in any treatise on economics; but since they are assumptions they are not of much importance in our investigation into actual moral practice. More important evidence, therefore, has been found in conversations with trade unionists, employers and financiers, and in periodical publications such as trade journals and the speeches of chairmen of companies. But, of course, the chief evidence for operative moral

standards is to be found in the principles underlying legislation which affects industry, commerce and finance. Dicey's historical review of such legislation and Jethro Brown's *Underlying Principles of Social Legislation* have provided the necessary background; but the following analysis deals only with contemporary practice. Naturally, since the field is hardly yet mapped, and since it lies upon the confines of Economics and Ethics, the following essay must be regarded as a suggestion rather than a statement of final conclusions. Many important moral issues have been treated summarily in order that the whole field might be included in the survey.

C. D. B.

London,
November, 1924.

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ANALYSIS OF THE ARGUMENT

I. Delimitation of the Subject-matter.—The aim is an analysis and criticism of the moral influences in economic relationships. Economic facts are the relationships of men in exchange of goods and services. Economic science is the analysis of these facts.

Ethics is the science of good action and good character or welfare in general of which economic welfare, aimed at by the economic art, is one aspect or element.

The general tendency of economists is to accept the Utilitarian ethical assumptions, implying also an obsolete psychology; but even the idealistic ethics seems somewhat defective if the reference be made to industrial practice.

II. Psychology, which underlies all ethical theory, has now greatly changed since the assumptions were current which are used by the economists. Psychology is now experimental, exact and dependent upon evidence from abnormal states and group experience.

The psychology of industry is still too closely confined to the more mechanical processes of a small section of industry, namely the manual workers. The psychological analysis of business habits and of the machine mind of the age would be necessary as additional basis for the ethics of industry.

III. Industrial Organisation is considered first as a Single System.—The one comprehensive conception is that of service; but this conception is not dominant in actual industrial organisation. It is necessary, therefore, to analyse the situation with regard to the different functions performed in industrial life.

IV. Analysis of the Moral Standards operative in Industrial Practice.—The attempt is made to state the chief moral standards implied in what is usually done ; and, in order to avoid preconceptions, to state also the psychological facts in regard to the classes engaged in industry.

The Workers do not in many cases have free opportunity for developing their abilities ; but the reforms of the industrial system and the present governing rules and customs imply that it is commonly recognised that industry can and should be a field for moral development of the workers.

The status of the workers also is doubtful ; but actual custom implies that they are or should be free servants of the community.

The Organisers are usually treated as responsible to the owners of capital ; but they are also morally responsible to the community at large and to the workers. Their psychological outlook is an influence in traditional economics.

The Owners of Capital, whose psychological outlook is ill-defined, are traditionally regarded as " principals " in industry ; but they are morally responsible for actions done for their advantage, and this moral responsibility is indicated in law, although the difficulty of making it effectual leads to suggestions for the withdrawal of all directive powers from shareholders.

The Consumers, in whom the group-mind is very prominent, are traditionally regarded as masters and not servants or as final appetites. But they have a moral function to perform in creation and direction of taste.

V. Conclusions.—Industrial morality is very largely embodied in law, and therefore Government is a dominant moral influence in industry. But industrial life itself is a moral relationship. There are signs of an independent moral expression of standards and ideals within industrial organisation ; but this lacks precision or effectiveness because there is no conscious grasp of the economic community as a psychological and moral fact.

The existence and characteristics of the economic community, therefore, are of fundamental importance for the morality of industrial life and for the theory of ethics. The economic

community, comparable within the whole of community life to (*a*) the state and (*b*) the cultural community, is a unit of social life. It is a social whole binding together men in their relationship as exchangers of goods and services. This exchange is always "moral" in some sense and is progressively moralised by new ideals.

Industry and Civilisation

CHAPTER I

SCOPE OF THE INQUIRY

INDUSTRY, business, and economic life generally are influenced by moral standards. Some actions in getting or in giving services in exchange are done because they are believed to be morally good, and some actions done for other causes receive additional support from the belief that they are good. Similarly, some actions in economic life are avoided because they are believed to be morally bad. For example, the keeping to the terms of a contract is supported by a moral judgment, even if the chief reason for keeping it may be the economic advantage which will result; and among bad actions it is usually supposed that one must reckon the passing of false coin or the deliberate underpayment of a worker who has no power to enforce a claim for more. Thus the study of moral standards actually operative is necessary for understanding what industry and economic life are.

Further, economic life or organisation is sometimes condemned either on the ground that those engaged in it are not free to exercise their ability, or on the ground that some are degraded by the prevailing system. But all such condemnation implies comparison of the current practices with a

moral standard, and this comparison causes attempts to change practice. Thus, in addition to operative standards, there are standards to which reference must be made for explaining any reform or moral change in the existing practice.

It is proposed here, then, to analyse the moral standards operative in economic life, and also those standards which operate in changes of practice which are generally regarded as reforms. The subject is a part of ethics or social philosophy.[1] The subject-matter is morality, but only in that part of life which is called "economic." By economic life is here meant all those activities of men which are directly concerned with the interchange of services and commodities; and although *all* human activities may, in some sense, have an economic aspect, only those are here called economic in which *exchange-value* is a *prominent* characteristic. Thus we exclude from consideration the activities of a mother feeding a child or of a scientist investigating the motion of a star, although these may have an economic influence, for example, on the earnings of mother or scientist. We concentrate attention upon what is most prominent in business offices, factories, mines, and shops. In every service done we select for consideration its value in terms of other services: not its utility for life or what is called its "moral" value. And yet this value-in-exchange is to be viewed here as influenced by and influencing moral standards. These moral standards or *ideals* are operative forces, *idées-forces*,[2] to which reference is

[1] The logical distinctions in J. N. Keynes' *Scope and Method of Political Economy* are accepted here; and the same distinctions are implied in Bonar's *Philosophy and Political Economy*.

[2] Assuming the correctness of the analysis of the meaning of an ideal in my *Political Ideals*.

made in moral judgments; and moral judgments are judgments with regard to that value called "good." We are to work, then, on the frontier of ethics and economics.

Economics.

First, the boundary between economics and ethics must be fixed. It will be assumed here that economics is a science of matters of fact, and is not concerned with moral values. Hence any judgments of an economist in regard to good or evil are quite irrelevant for the purposes of his science, as they would be irrelevant to a physiologist who observed the effects of capital punishment upon a nervous system. The economist is concerned with the analysis of a system; his affection or his distaste for the system is a survival of the moralist in him; and, if he is not also a student of ethics, his moral judgments are likely to be as crude as those of his grandmother or his newspaper. But within his own field the economist is absolute. Economics is not a department of ethics. The analysis of what actually happens when men exchange services is quite independent of the study of what ought to happen. It may be that the economist studies the facts in order to know how to "improve" the situation; but if so, his reason for studying economic science is that he wishes to practise the "economic art," which is part of morality.[1]

For economics, as for psychology, statistical methods are essential. The so-called "laws" of economics are general facts which are correla-

[1] Pigou (*Economics of Welfare*, Preface) gives this reason for studying economics, but does not make the further conclusion that ethics is concerned.

tions; and economics deals very largely with actions which can be subsumed statistically under what have been called laws of nature. But the use of the word "law" for such facts is even more dangerous in economics than it is in psychology or in other natural sciences; for since the subject-matter of economics is very largely human action, and human action is material for "law" in the moral sense, it is confusing to speak of an economic habit, for example buying cheaply, as though the habit were itself a law or obedience to a law. There is a habit of buying cheaply and selling dear. The fact is undeniable. It is a general fact or universal, observable in a series of acts; but it is not "necessary" except in the sense that every observed general fact is a fact, as it is "necessary" that all risings of the sun are movements from East to West. The logic of economists is, of course, affected by the mistakes, inherited from Mill, of the natural sciences generally; but "law" is a word which it would be better to expunge altogether from economics, even if in other sciences we are committed to such unfortunate phrases as the "law" of gravitation or of atomic weights. The acts and correlations studied in economics, then, are matters of fact.

Ethics.

But the same acts and correlations are also studied in ethics, together with other facts not relevant for economics.[1] The characteristics, then,

[1] For the benefit of logicians it may be necessary to note that the phrase "the same act" is ambiguous and popular. Of course, the subject-matter of ethics is not "the same" as the subject-matter of economics.

of the "economic" facts studied in ethics must now be described. They are, as noted above, those activities in which exchange value is a prominent characteristic. For example, they include banking, manufacture, the hewing of coal, the driving of trains, and perhaps also some singing and some painting. But we do not usually call "economic" such activities as the play of children, the care of children by mothers, or the movements of lovers. Ethics or social philosophy is, of course, concerned with the value of these; but here we shall omit them altogether. Banking, however, and the hewing of coal have moral value, which is partly due to the fact that they have also exchange value.

The word "value" should be given a definite meaning, for it is used both in economics and in ethics in different but closely related senses. Economics deals with exchangeable, not with all, services and commodities. The economist is not concerned with the air we breathe, which so far has not become a commodity, and is, at any rate, not exchangeable, unless one has to carry some of it up to the top of Mount Everest. It is exchange which attracts the attention of the economist, and this exchange is a relation. The aspects of the relation are called values in exchange. The goods and services are "worth" so much to each of the parties in the exchange; and what they are worth comparatively to each is calculable numerically by means of money. Hence economic services and commodities can be defined as those which have money value, which is their economic worth. But what they are worth depends in part not upon exchange, but upon what each party can get out of them or enjoy in their use. This is called the *utility* of the goods and

services ; and with the introduction of this concept we are on the boundaries of ethics ; for utility, in this sense, is finally explicable only in terms of moral values. Into its explanation enter terms such as personality, character, and conduct, with which economics is not concerned ; and it is important to note that such terms cannot be rendered statistically. This is a statement of logical theory and cannot be developed here ; but it is assumed in what follows that statistics are useful in regard to matters of fact and not with regard to values.

The utility of a picture or of a boot, then, cannot be rendered numerically, although the exchange value of both can be ; and it seems better, therefore, to say that utility in that sense is moral and not economic. The economist must, of course, be cognisant of the existence of this utility, for otherwise he will tend to deny the existence of what is not his concern ; but he should leave the analysis of utility to ethics.

It is here assumed that ethics is a science, although its methods are not statistical or numerical ; but into that logical problem the argument need not enter. It is sufficient if the material here to be studied, the comparative moral values of economic actions, be susceptible of analysis.

Two questions may be asked : one, Can there be an exact science where numerical measurement is not possible ? the other, Is the " knowledge " of values at all comparable to the knowledge of matters of fact ? Probably there can be exact science without numerical measurement ; for thinking depends upon analysis. and not all analysis is numerical. For example, the distinction between a hat and a head is not numerical ; but a clear and

exact distinction can be perceived. In one sense, of course, all distinction is numerical, since it involves that "one" thing is not another; but this kind of unity and difference is perhaps the basis of number rather than itself numerical. In any case, the "oneness" of an element in a distinction is not always the prominent characteristic; and so we can say that a good act is not a bad act without reference to number and yet with exactness.

As for "knowledge" of values, the difficulty seems to be that any scientific ethics would have to deal with characteristics of reality which are not mainly or merely matters of fact, because they do not fall altogether within the field of "is" and "is not." Hence scientific ethics has been understood by some to mean a mere record of customs and beliefs. These at least are facts, and science can deal with them. Some have even said that in any other sense ethics is a form of poetry.[1]

On the other hand, it is important that customs have not simply been followed, but that they have been thought to be good; and unless the reason for following custom be fundamentally an illusion, this characteristic of custom, that it is good or bad, is worth study. To study this, however, seems to end in knowledge, because we then have (*a*) a distinguishable object before us, and (*b*) distinctions within the object. There are, of course, different kinds of objects of knowledge: one can know a tree when seen, and one can know the relation between the angles of a triangle and right angles. To know the moral quality of an act or a character is to know something quite different

[1] Witgenstein: *Tractatus Logico-Philosophicus.*

from these two kinds of object; but it is genuine knowledge, and this is what is here called ethics. We are assuming that a reality is observed to which the adjectives "good" and "right" make reference; and therefore that actions *believed* to be right are or may be actually so. The theory or the assumption that the moral judgment implies an illusion cannot be considered here; but it should be candidly stated that many treatises on economics and even on ethics seem to imply that "good" is a misleading name for what is useful or pleasurable. Here we assume that ethics is the science of the good, of right action, and good character or conduct.

An Historic Parallel.

It will be perceived that the subject-matter selected for study here is the same as that studied by the Canonists of the Middle Ages. The mediæval theory of the *justum pretium* and of "usury" was the result of investigations into economic life from the point of view of moral philosophy. Economics arose as a department of ethics. The treatise, for example, of Nicholas Oresme, *De Origine Monetarum*, is partly economics, partly ethics. The problems of the Canon Law continued to be studied in the same way by the Reformers of the sixteenth century; and it is notorious that Adam Smith himself was a moral philosopher. But when the Canon Law was dominant in Europe, the analysis of economic matters of fact was still undeveloped; and when the development occurred, the Canon Law had ceased to dominate. The Canon Law was an attempt to formulate some of the moral standards accepted by mediæval Europe, and the priests were its

formulators exactly as the mediæval king was the formulator of the "law of the land"; but the forms of practice changed so completely that the formulæ of Canon Law became irrelevant, and there was in the new era no class of formulators. Science of matters of fact made immense advances, and in the nineteenth century economics was established; but the economic elements in the Canon Law received no development.

Another parallel may be useful. As the Church system in the Middle Ages influenced economic practice, so does the civil law at present. The moral standards embodied and expressed in ecclesiastical courts of the Middle Ages are inherited and developed in the Civil courts to-day. Thus the study of Government in regard to industry gives the most definite results for the understanding of the moral standards actually operative.[1] The laws of adulteration, contract, wage-payment, and company organisation are our modern Canon Law; and the regulation of economic practice by reference to moral standards is more and not less effective now than it was in the fourteenth century; but the moral standards applied in law to economic life are not obviously a part of the machinery of industry and commerce. Thus, although moral standards are actually more effective in economic life than they ever were, less attention is paid to the statement and criticism of these standards.[2]

[1] This was what my *Government and Industry* was intended to supply.

[2] The University of Cambridge, when forbidden to teach Canon Law, wisely named its Doctorate from both laws (LL.D.) and not as in Oxford from Civil Law only (D.C.L.), thus noting that Canon Law survived.

General Analysis of Subject-matter.

It is now necessary to review in greater detail the character of the moral problems implied in modern economic life and in criticisms of industry.

The industrial system provides a variety of goods and services which are used by all. Food and clothing are regarded by all as desirable, and some also desire music and other more intangible goods; but these the majority can obtain only by assisting in the production of such goods. The particular kind of collection each man makes differs from that of every other; and the efforts made by some men to obtain goods and services differ very greatly from the efforts of other men. This is the sphere of economic exchange. The social organisation by which at present food, clothing, and some other goods are obtained at the price of assisting to produce them is sufficiently familiar to all educated persons. The laws of economic exchange have been very carefully studied, but the underlying moral data are not often analysed.

Why do men desire diamonds as well as bread? Why do they make efforts to secure leisure? The answer to such questions must be found, not in economics, but in a theory of morality to which we give the name ethics. The study of the ends or purposes of human action is more fundamental than the study of the results of adopting such ends; and it involves an analysis of existing standards of action and ideals of life: for even if it be impossible to say why men desire diamonds, it would be necessary to study the character of their desires in order to know that it is impossible. But as soon as desire is examined it is seen to involve the further

fact of moral approbation or disapproval; for not only do men desire certain goods but they consider some desires good and others bad. Thus from the study of existing desires we are driven to study what is desirable and why we think it desirable. The ideals or standards actually operative in social life seem to refer forward to ideals and standards not actually operative, which are regarded as morally better. The fundamental problems, then, may be questions such as the following: What are a person's duties within that sphere of life in which he or she obtains a livelihood, payment for services, or power to command services? What is a good organisation of society in so far as society is organised on the basis of an interchange of services? The answers to such questions are the fundamental moral data of economic life; but they cannot be given without reference to a still wider field of experience with which economic science is not normally concerned. The problem of the exchange of services involves the problem of personality. From the individual point of view, ought a person to aim primarily at the development of self under some form of enlightened self-interest, or ought a person to aim chiefly at the service of others or of a community? From the point of view of a whole group or community, which is best—that community which gives great independence to its members in going each his own way, or that community in which all are instruments of a common will? With these fundamental questions in our minds we have to ask to what use the goods and services of industry are actually put, and to what use they should be put. The answer to such questions will define the place of industry in civilisation.

The attempt to answer such questions is to be found in prevalent philosophies of social and individual life; but such philosophies only make conscious the answers already implied in the actions of men. The majority of men do not, indeed, ask the questions to which we have referred, still less do they think out the answers; but they act in certain definite ways in reference to practical issues. The issues are, for them, what the problems are for the philosophers: their actions are their answers. The actual practices of the moment are more fundamental than the explanations of them which are given by thinkers.

The existing system of economic life is dependent upon certain moral standards or ideals partly expressed in law and conscious custom. These standards or ideals are operative in men's minds and affect the actions of men; and the results are certain uniformities or likenesses between different acts or series of acts, which are the grounds for the statement of economic and other social laws. Thus the desire for leisure is partly due to the conception of culture or gentlemanliness: and when this desire operates it is found that men will not work more than enough to secure the amount of leisure they have assumed to be desirable for a person in their station of life. But the amount of leisure regarded as desirable varies from age to age. The standards and ideals of to-day are the operative forces in the maintenance of the existing system.

This system is not, however, regarded as altogether satisfactory even by practical men. No normal man acts as if all were well: for even without any conscious criticism of the system, changes are accepted and promoted by men who are not

concerned with theory. Thus new laws become operative and new organisation is introduced, not because of revolutionary programmes or ethical theories, but because social and individual life develops. The underlying impulse must not be assumed to be essentially a reasoning process ; but with this proviso, attention may be turned to the process of reasoning by which the existing social practices are accompanied and affected. From the activities of men at large, including much that is not reasoning, we may turn to the activities of thinkers.

The practices of industry do not exist in a moral and intellectual vacuum. There are definite ideas and even systems of thought which are expressions of the practice, which also affect and control that practice ; and these ideas and systems of thought are traditional. The schools of thought perform two tasks. They " explain " the existing situation and thus express the elements of good which it contains ; and they also criticise that situation by reference to something better, thus indicating what is now evil. Every social philosophy is at once an apology and a condemnation, for it is the science of an ideal, and an ideal is generally embodied in part and in part not. The existing system for obtaining goods and services is therefore affected by explanations and criticisms of it developed by small groups of thinkers permeating the general mind of the time.

Prevailing Schools of Thought.

Two chief schools of thought may be distinguished, the Utilitarian and the Idealist. The names are

unfortunate. Utility seems to be a definite conception only so long as we are thinking of the means; and therefore when the end is sought the Utilitarians tend to forget utility. They concentrate, in fact, upon pleasure and finally upon happiness, and are therefore Hedonists. Idealists, on the other hand, were concerned chiefly with "ideas" and not with "ideals"; and therefore they entangle the theory of action with an obscure theory of infinite Mind or eternal Thought. The old names of the two schools of social philosophy are misleading, but they are sufficiently accurate for our present purpose.

The Utilitarian school, including apparently most of the professional economists, would maintain that the individual is enterprising, energetic, independent, and that society is the meeting-place of such individuals. When they meet there is competition, involving sometimes conflict, but eventually resulting in the only possible harmony. This harmony gives to each his due place, for what is due to him is what he can get. Clearly this is, in part, an explanation of what actually occurs and of standards and ideals actually operative. Men are moved as units. But it is more important for our present purpose that the school to which reference is here made maintains or implies that men should be or ought to be moved by self-interest. If each looks after his own interest, it is said, the interest of all will result; and interest is usually identified with pleasure or happiness. The highest conceivable ideal is held to be the greatest happiness of the greatest number. This school of thought has been affected largely by the assumptions of economists and by their inclusion of new assumptions among

the old data with which the science of Economics began.[1] The assumptions of Marshall and his school, for example, are to the student of morals alarming, because some of them at least are irreconcilable with the basic conceptions of human thought and action from which that school begins. The explanation of welfare as essentially dependent upon social units as real wholes is not logically reconcilable with the individualism of traditional economics. Trade Unions, for example, necessarily appear to any individualist to be restrictions of energy, and the phraseology of "limitation" and "liberty," implying a false psychology, is misleading in moral theory.

The Utilitarian attitude, however, is commonly accepted by "business" men. Thus chairmen of companies still tell their shareholders that "the laws of economics are inexorable," which is, of course, perfectly true in one sense, as it is true that the law of gravitation is inexorable; but the chairmen and the shareholders and even some economists and statisticians seem to mean by such statements that the existing system of organising labour and distributing the product of labour cannot be changed. This, if it has any meaning at all, implies the obsolete philosophy of necessity, accepted by some socialists as well as by business men, according to which what happens next is entirely and absolutely determined by the pre-conditions. Such a philosophy implies that the nexus of cause and effect is identical with the logical nexus of ground and consequent; but neither economists nor utilitarian philosophers are aware of this logical error.

[1] The "fatalism" of the orthodox economists may serve to indicate the kind of new assumption introduced since Adam Smith wrote.

The same school adds to the explanation of fact a moral criterion of action. They advocate certain ideals or standards not actually operative, for they say or imply that men ought to pursue their own individual interests. The attitude may be expressed in two ways. So far as it implies a criterion of moral character, it is emphatic in admiration for energy and originality. What is best in a man is that in which he *differs* from other men. The individual is the best judge in his own case : a man has a moral right " to do what he likes with his own." So far as this implies a criterion of society, the best society seems to be one with the fewest or least effectual regulations or generally operative agreements. Hence there is a presumption against governmental action : for those are conceived to be governed best who are least governed. The best government is that which " leaves men alone." The liberty of the individual is the supreme criterion of social organisation ; and it is believed that the pursuit by each of his own interest in his own way naturally produces the interest of all. If these self-interests, left to themselves, " naturally " harmonise, there is no need for government. The less interference the better, not in order that " private " interest should be served, but in order that public interest should be promoted. An " invisible hand " guides us all to serve one another, although each man thinks and ought to think only of himself ; and if an invisible hand is so effective, why trouble about the heavy and often incompetent hand of the law ? Again, the self-interests are in harmony *by nature*, and therefore any " interference " must be *artificial* or not according to nature. Hence government comes to be regarded as not merely unnecessary but as un-

natural. To arrange or organise industrial relations or economic life is to bring in an arbitrary and changeable taste where, if no interference occurs, all the competing interests of men are beautifully and harmoniously reconciled. It is true that some distress occurs in the reconciliation of interests, but this is only "friction" which is being removed by reforms within the existing system and may disappear altogether.

This school of thought has had its position undermined by recent advances in psychology. Self-interest is by no means what Bentham and Mill imagined. The self is not a unit presented to thought as separate from "others." The self which is loved in self-love or selfishness is empirical and objective. A man identifies himself with this or that "because he loves it . . . he does not love it because he finds it to be identified with himself." [1] What a man loves is comfort, or food, or reputation, and these therefore he calls "mine" or "me"; for the objects envisaged in that mental state or tendency called selfishness or the devotion to self-interest are not in any sense "private." Thus the contrast between egoism and altruism is not fundamental. Again, the pursuit of pleasure or of happiness is now dealt with as subject-matter for the psychology of the abnormal. Instead of assuming that pleasure is naturally pursued, the modern psychologist asks, as it were with astonishment, "How then does it happen that pleasure is often pursued for its own sake—as an end in itself?" [2] And the answer is that abnormally pleasure is "detached" from a conation either because of

[1] James, *Psychology*, i. p. 319.
[2] Tansley, *New Psychology*, p. 68.

weakness of psychic energy or because of obstructions to the conation. Finally, the " hidden hand " is now easily recognised. Obviously it is a vestige in Rationalism of the theological Providence or hand of God ; but the activities of deity in social life have been shown to be the operations of the group-mind. A god such as Dionysus or Athena is a personification of the real force experienced by a group of men in contact, and this force operates in all social life.[1] The harmonies of the industrial system can then be referred to the actual operations of the group-spirit or group-mind. This is the hidden hand. The pursuit of self-interest is not the cause of the harmony, for the harmony is the result of what is correcting or amplifying what is called " private " enterprise.

The other school of thinkers which accompanies and affects contemporary industry concentrates attention upon the social aspects of the system. As opposed to the Utilitarians, it is said by the Idealists that all action is social in its source, and that the most significant results of action are social. It is observed that in fact men do not envisage their individual selves, enjoying pleasures, as the end of action, and that still less do men aim at " future " pleasures. Clearly the present pleasure of anticipating an end is not a " future " pleasure. The Utilitarians wrongly identified " motive " meaning purpose, and " motive " meaning impulse, and thus confused the teleological " pull " with the natural " push."

To explain actual industry another terminology is therefore used by Idealism. The nature of human

[1] Jane Harrison, *Themis* ; C. Webb, *Group Theories of Religion*, etc.

character and conduct is said to involve a dualism of momentary "self" and ideal self, which ideal self is realised by a good man. The good life is thus conceived as a realisation or making actual of capacities with which a man is endowed. But these capacities are defined by the existing structure of society, which is in fact the expression of a "general will." [1] To take, then, one part of social organisation which is industry, the positions and activities of the workers, organisers, owners and users or consumers, are explained as the result of a "will" operating in each through his contact with all.

This school is represented by the neo-Hegelians and by more modern forms of philosophical idealism, but it is also connected with the Hegelian ethics assumed in the economic doctrines of Karl Marx and his successors. It is implied, and sometimes actually asserted, that necessity of cause and effect has produced the existing capitalist industry, and that the same necessity will produce a new form; it is also assumed, without any apparent justification, that the new form *must* be better. The fantastic conception of a Dialectic of capitalism and proletarian culture need not be discussed here; but it is important that the idealist school conceives social organisation as a *process*, and therefore escapes the static metaphors of Utilitarianism.

Criticism of the existing system, which is called socialistic, is sometimes thought to imply no explanation of the system. To explain is in a sense to justify: and it is the habit of reformers to disregard the elements of good in a system which includes

[1] Bradley, *Ethical Studies. My Station and its Duties.* Bosanquet, *Philosophical Theory of the State*, etc.

some evil, for the evil seems to them most important. But socialism also has its explanations of the existing system. The production of boots and the wearing of boots are not in themselves bad, and it is recognised by socialists that boots are produced and worn. This occurs, however, according to them, not because of private or individual self-seeking, but because the activities of the so-called "private" enterprise are inevitably social. A hidden hand does not transform the effects of self-seeking, but actual social organisation compels towards the production and use of boots. Thus a man makes money by selling boots because of the structure of society within which he acts just as much as because of his own energy. The ideal is therefore conceived socially. That man is best who fulfils his function in a whole community, the life of which alone gives meaning to his action. That society is best in which all actions subserve the common life. What should be prominent or dominant in an ideal character is not the absorption of satisfactions by himself, but the utility of his actions to the whole community. Altruism, or the service of others, is recognised to be inadequate to express ideal conduct, for the purpose of good action has reference to the whole within which the distinction between self and others is irrelevant. In any case, giving and not getting is the ideal of action; and the laws and regulations of social life are no more limitations of liberty than a man's skin is a limitation of his body. Individuality has no value or meaning except in and through the contacts of social life, and therefore an ideal society is one in which these contacts are many and various. Again, since the ideal society has a place for every man,

each man's place is defined not by his will but by the general rule governing the particular community of which he is a member. What is wrong in the existing system is that society as a whole does not take cognisance of all its members, and that therefore an immense waste of human material takes place in the industrial system. Industry is not promoting but is actually obstructing civilisation by sometimes refusing to give opportunity to willing labour.

The ideal so expressed has affected contemporary legislation and thought ; but here also the corroding effect of new discoveries can be observed. It used to be possible for philosophers to speak of the state or society as a " higher " unity, but scandals have recently been spread in regard to the " herd complex." Psychology has undermined Idealism as well as Utilitarianism. The demands of a " group " may be only primitive appetites : the operation of social standards may be only the power of a repressed " sex complex." A man may be no nobler or better morally for serving the descendants of anthropoid apes. A civilisation is not to be tested by the quantity of those who survive, but by the quality of those who live energetically. Again, psychic energy is certainly not in the main consciousness or thought. It is very unlikely that a whole group or the majority of members of a group would know better than any individual what is best for that individual, for an individual is not a mathematical figure or an item in statistics. A perfectly rational and scientifically organised society, then, may be a society of lunatics whose normal biological functions have been displaced.

New Developments.

The old controversy as to the end of action has, indeed, passed into a new stage. It is almost a century since Green and Spencer. There has been no startling new development of moral theory, but progress has been made at a thousand different points. Psychology is now experimental and no longer anecdotal, as it was in 1850: it now includes data in regard to insanity, most relevant in regard to industry and politics, and the group-mind is analysed. The history of civilisation now includes Assyria, barely discovered by Layard in 1850; and China and India could not now be omitted in a history of ethics as they were by Sidgwick. All this change in thought alone would make it impossible now to state the issue as it was stated in the nineteenth century. But action also has changed its character. Large-scale organisation in industry, as in politics, involves fewer principals and many more agents than there were a century ago: it involves a greater complexity in the relations between the actions of different men, changes in the sense and in the fact of responsibility, and a far greater homogeneity of available goods and services. Therefore the industrial system to-day must be explained in terms quite unknown to the nineteenth century, and it has to face criticism of a new character. Our conceptions of civilisation have changed. The ideal kind of life and conduct and the ideal society are now conceived in new terms, when we ask for what purpose the goods and services of industry exist.

The older schools of thought have not been refuted, but the life has gone out of their

governing ideas, because the situation has changed. The truths, however, to which they drew attention are still important; and the active thinking of to-day tends to take these truths for granted. It may be assumed, then, that the nature of social life and the fundamental criteria by which we judge what is good and bad in it are sufficiently clear. Society is a real whole; individuals are not separable units; but, as the Utilitarians showed, individuality and psychic energy are not derivative from any mind or thought separable from a distinct and separate material body. The criteria by which we judge social life as a whole, or any section of it such as industry, are (1) the satisfaction of natural impulses, (2) the realisation of personal abilities or capacities, and (3) the intensity and the ease of contacts within a community.

Psychologically, the bases of moral life are conceived to be, first, systems of psychic energy called selves, including "complexes" or subsidiary systems of conations and ideas with affective tones or colours. The self-systems are not closed systems, but make up new systems called groups, with group-minds themselves including complexes. These groups are society, within whose undefined unity there are many interesting psychic systems, dominated by complexes formed out of primitive instincts and impulsive conations. Of these instincts and conations two have a special importance in industry, and have unconsciously, but not wrongly, been assumed as important by the economists in their analysis. They form the bases for what in each man is called production and consumption. The complexes are the exploratory, an outgoing of the psychic energy, and the receptive, or the enjoying, an absorption

into the psychic energy. Industry is an interplay of such forces, and its defects, for the moral judgment, are in repressions or obstructions or displacements of these energies or activities. The ideal, therefore, or the criterion of industry, is no longer conceived in terms of individual liberty or rational social organisation in the old senses of those phrases. It is rather to be conceived by reference to the discharge of psychic energy of diverse kinds, and here many illuminating ideas appear. For example, it is known that the male and the female biologically and psychologically differ as comparatively "outgoing" and "accepting"; but these are analogous to the producing and consuming of the economists; and industrial structure is largely based in fact upon production, that is, upon the "male" element in the relation. The place of women in industry, then, is perhaps not to be conceived, as ordinarily in economic controversy, in reference to the rate of wages of production, but rather her place is pre-eminently the direction and organisation of consuming. But these issues will be seen more clearly in the application of the criterion by which the place of industry in civilisation is to be decided.

The most striking change in the conception of the criteria by which social life is judged is that from the old controversy between individualists and socialists to the new controversy between those who take the point of view of the producers and those who take the point of view of the consumers. The older opposition of individualist and socialist has disappeared largely because it has become obvious that there is no real conflict between members of a society and the society of which they are the members. Thus the individualism of

J. S. Mill was gradually corrected until it could hardly be distinguished from a form of socialism in his own writings and in those of Henry Sidgwick; and, on the other hand, the socialism of the early Marxian doctrines has been gradually corrected until the sole purpose of social regulation has seemed to socialists to be individual freedom. Some play with words can still be made by the use of such apparent paradoxes; but the life has gone out of the controversy, for it is generally admitted that no individuality can develop except in society, and that social life hardly exists until there is diversity of individualities. The new contrast of producer and consumer has become prominent partly because of the economic analysis which has been carried so far in the last twenty years, but partly also because the current conceptions of social life are quasi-biological and therefore refer to *functions*. Thus the whole formed by individuals in society is analysed by reference to the different organic functions performed within that whole; and social activities in industry are explained as the performance of various functions.

The criticism of the existing system also falls under two heads, roughly corresponding to the contrast between the Utilitarians and the Idealists, expressing the producers' and the consumers' point of view. To the former school the good system would be one in which the activity of a man was the expression of his personality in the work he does; to the consumers' school the good system would be one in which all activities were primarily social services. There is, then, an element of the old individualism in the producers' ideal: there is an element of the old socialism in the "social

service" advocated as the consumers' ideal. But there is just enough of the opposing school in each of the new doctrines to warrant the claim of each school to stand both for social service and for self-interest. The barren classification of differences, however, is not so important here as the statement of the criticism of the industrial system from two different points of view.

First, then, it is said that industry does not allow the vast majority to develop their personalities, and any occupation is morally defective in so far as it cramps personality. A better industrial system would give place for the expression of a man's own choice, will, and thought in the work he does, which is what is meant by "control by the workers." On the other hand, it is said that industry does not provide adequate social services, and any social system is defective in so far as it does not provide at least their needs for all members of the society. These critics have in view not the method but its result. The facts to which they point are not insecurity of tenure or monotony or enslavement of workers, but the degradation, disease, and suffering of the poorer classes. They say that the system by which boots and bread are produced and distributed has as a result that great numbers are without enough of either boots or bread. The system would be better if all could enjoy or "consume" at least enough for their bare needs; and of course it would be still better if all could also have music and painting and the more intangible goods.

These, then, are the two chief criteria by which the place of industry in civilisation is now estimated; and the application of these to the actual parts of the industrial organisation must now be attempted,

for neither "control by the workers" nor "social service in industry" has any definite meaning until these phrases are referred to the character and conduct of persons.

It is sometimes argued that the ideal industrial system can be rendered completely in one of these two sets of terms. Thus the producer school, following the example of William Morris, says that all expression of one's self in one's work would inevitably be a social service; and, on the other hand, the consumer school, following the Marxian tradition, says that all social service would inevitably be a development of personality. Thus we are told to seek freedom in industry, and all other goods will be added unto us; and, on the contrary, we are told to serve society with all our hearts, and all other goods will be added unto us. The faith in the "hidden hand" survives even in the most advanced of our reformers, for the producer school believes that if the producers or servants were given absolute power or "control," the best service of all would be the natural result; and the consumer school believes that if those who are served had full "control," the servants would naturally find a full expression of themselves in their service. What would "naturally" occur without direct provision for its occurrence is the operation of a hidden hand. And so is the harmony which is supposed to be the result if producers and consumers *share* the control.

The validity in ethics of the fundamental conceptions involved in the two methods of reform has not been examined; but if it had been, it would have appeared that there is an irreconcilable contradiction involved in beginning from either premise and reaching the other as a conclusion. Indeed, the

pretended identity of self-interest and social service does not exist. It may in some other and better world ; but in this world of time and space no such reconciliation is possible. This, however, indicates a very important characteristic of the moral good which will be pointed out in the conclusion of the argument. We proceed now to analyse in detail the moral quality of the different kinds of activity involved in the industrial system.

CHAPTER II

PSYCHOLOGICAL DATA

Psychological Assumptions of the Economists.

Underlying all treatment of moral values and economic factors in human action are psychological assumptions which it is now necessary to discuss, especially as contemporary ethics, and still more contemporary economics, assume very largely the psychology of half a century ago. Pleasure, which is a psychological term, still has a fantastic position in ethics ; and production and consumption as well as supply and demand, which are in origin psychological terms, are still used in economics in some senses which imply an entirely obsolete psychology. That psychology belongs to the utilitarian period in English philosophy : it is derived from the impressionism of Locke and Hume, and it is affected but slightly by the German philosophy which dominated Green. It is the psychology of the individual seeker after pleasure whose first mental activities are regarded as the reception of certain stimuli.

Nearly all books on economics contain obsolete psychological assumptions, but it may be well to take our examples from an exceptionally brilliant book. It seems ungracious to criticise so subtle and so humane a book as Marshall's *Principles of*

Economics, but the chapter on "The Substance of Economics" contains some of those obscurities and perhaps even mistakes in psychology which even the best economists do not altogether avoid. In the first place economics is said to "concern itself chiefly with those motives which affect . . . man's conduct in the business part of life"; and farther on, "the science is possible as soon as the force of a person's motives—*not* the motives themselves—can be approximately measured." But Economics does not deal with the "measure of motives," and it is very difficult to see what measuring a motive can mean. Psychologists have great difficulty in measuring much simpler facts than motives.

Marshall notes that economists are charged with Hedonism or Utilitarianism by T. H. Green,[1] and in reply he says: "It is clearly not the part of economics to appear to take a side in ethical controversy," and he suggests that therefore the word satisfaction should be used instead of "pleasure." This is to miss at least one point, for Green was criticising not only the ethical assumptions, but also the psychological analysis of economists. The real trouble is the use of obscure psychological terms, such as motive and satisfaction.

"If we note, for example," says Marshall, "that a bank failure has taken £200,000 from the people of Leeds and £100,000 from those of Sheffield, we may fairly assume that the suffering caused in Leeds has been about twice as great as in Sheffield."[2]

[1] *Principles*, p. 17 note.

[2] Marshall, *Principles*, p. 19. The whole chapter, "The Substance of Economics," is not only misleading as to the subject-matter of economics, but entirely out of date in its psychology.

Marshall himself corrects the crudity of this estimate by other considerations, such as that of the greater wealth of the shareholders in Leeds; but the correctness of the estimate of the amount of suffering does not concern us here. The point is that the economist has no right to calculate suffering at all. Economics is not the measurement of motives, incentives, or satisfactions. Marshall of course admits that there are "limitations of the measurement of motive by money," but he seems to believe the false psychology of the utilitarians in regard to the prominence of "motive" and the governing force of "satisfaction."

Again, Marshall guards against the assumption that economic acts must be "deliberate or the outcome of calculation"; and he correctly shows that habit or impulse affects exchange, although there may be a closer contact of reasoning with exchange than with other social activities. He also allows vaguely for "group" influences. But he continues to assume throughout (1) that motives are measurable by money, and (2) that satisfactions and dissatisfactions are the fundamental psychological factors in economic life.

Similarly Pigou, in *The Economics of Welfare*, refers to the "strength of desire" as the psychological fact measured by money.[1] He states further, in the traditional terms of the associationalists, that, "generally speaking, everybody prefers present pleasures or satisfactions of given magnitude to future pleasures or satisfactions of equal magnitude, even when the latter are perfectly certain to occur." The fantastic mythology of "equal" pleasures continues, therefore, to survive among

[1] Pp. 23 *seq.*, Chap. ii., Bk. I.

economists, although it has long been exploded by psychology. But Pigou goes farther: he is mathematical in his measures. "Suppose, for example," he says, "that a person's telescopic faculty (a psychological conception) is such that he discounts future satisfactions at the rate of 5 per cent. per annum. Then, instead of being ready to work for next year or a year ten years hence, so long as a given increment of effort will yield as much satisfaction as an equal increment devoted to work for the present, he will only work for next year so long as the yield of an increment of effort employed for that year is 1·05 times, and for ten years hence so long as it is $(1{\cdot}05)^{10}$ times, the yield of an increment employed for the present." There are innumerable psychological assumptions in these phrases, all of which are denied in what follows here. Increments of effort are not measurable, even according to the Weber-Fechner law. No one equates his efforts with his satisfactions in normal life. Effort is not necessarily on the "cost" side of the account and may give satisfaction in itself. But the whole of this earlier psychology which is assumed by most economists needs revision, and details are of small importance.

In an admirable statement of the traditional view of Supply and Demand, H. D. Henderson seems at first to recognise the peculiar nature of psychological facts.[1] "People sometimes speak as though they supposed the economist to start from a few psychological assumptions and to build up his theories upon such foundations." The writer seems to make a logical mistake by identifying an assumption with a premise to an argument. "When,

[1] Henderson, *Supply and Demand*, pp. 2 *seq.*

therefore," he continues, "some advance in the study of psychology throws into apparent disrepute such ancient maxims about human nature, these people are disposed to conclude that the old economic theory is exploded, since its psychological premises (*sic*) have been shown to be untrue." He then correctly points out that the economist and the psychologist "are primarily concerned with different things"; but immediately proceeds to speak of "unconscious co-operation" as though no psychological assumptions were implied. The peculiar habits of men related in exchange of services are taken by him to be like "natural phenomena" such as gravitation, in spite of the fact that their unlikeness is much more significant. Naturally, therefore, the "laws" of supply and demand are stated without any note on the psychological assumption that men will buy in the cheapest and sell in the dearest market.

The same phenomenon that co-operation is largely unconscious (a psychological fact) is taken as a starting-point in D. H. Robertson's *Control of Industry*. In his further discussion the consumer is treated as essentially a complex of "wants," which implies a psychology by no means generally accepted now, although it is traditional among economists. And throughout the writings of the best economists hardly any reference is made to the fact that (1) economic "laws" are statements of general fact referring not to the physical structure of the universe but to a comparatively small group of changing psychological relations, and (2) that any statement of such laws affects the habits of men in a way that the statement of the laws of gravitation cannot possibly affect the motion of

matter. Economists are none the worse for not examining their assumptions, just as a chemist may be no worse without any theory of space and time ; but economists cannot avoid making assumptions which are psychological.

Modern Psychology.

It is not possible here to review the whole psychology of the associationists and utilitarians which is assumed by contemporary economics, but it is necessary to give a general indication of the psychological point of view which will be implied in the following discussion of the morality of production and consumption. It is proposed later to discuss the psychology of a business man and of a working man, but as a preliminary here a general view must be taken of the whole field of economic activities. They are mental or psychic, and are therefore subject-matter for psychology. The whole attitude and method of psychology, however, has changed, so far without affecting the current psychological assumptions of economics and ethics. As we have said above, psychology is now an experimental science, and some of its conclusions can be rendered statistically. This alone would astonish the early associationists and utilitarians, although it is the natural result of their own investigations. Further, psychology is largely the analysis of behaviour or series of acts. These are characteristics of the *methods* of to-day : but the *data* themselves also seem to be different from what they were half a century ago. Economic activities, with which alone we are here concerned, would not now be referred mainly to " ideas " or wants, but first of

all to the psychic energies expressing themselves in instincts and acquired habits ; and the analysis and classification of instincts has now progressed too far to allow of the simple uses of such phrases as " acquisitive instinct." [1] The associative or social instinct, with its specification the sexual, is more important even in economic life than any " desire for gain." And to the psychological student of industry the psychic energy expressed in producing and in consuming goods or services seems very largely instinctive or racial. It is more like impulse than purpose, although out of the instinctive expression arises intelligent plan.

Intelligence and learning, with acquired habits or tendencies, are now not regarded as so predominantly cognitive as they were. The improvement of skill in industrial operations through the use of the studies of " industrial " psychologists are sufficiently well known, but skill is very largely a co-ordination of bodily movements which may be recorded objectively ; and so again the psychological factors in economic life are regarded as less conscious than once was imagined. This does not imply that conscious purpose has no place in explaining economic activities, but only that it does not contain the whole explanation. It still remains true that most economic activities are purposive at times, and that some few can only be explained by reference to purpose. But purpose, like motive, is not so prominent in contemporary psychology.

[1] Cf. the cogent argument in regard to this supposed " instinct " by Rivers in *Instinct and the Unconscious*. The analysis of the number of instincts in Woodworth's *Psychology* and McDougall's *Social Psychology* indicates the complexity of the modern theory of instinct.

Again, new material from the psychology of abnormal states or energies has illuminated the characteristics of mental life generally. Repressions and "complexes" were unknown to the early economists, because unknown to their contemporaries, the utilitarian philosophers; but such facts are important even in economic activities. For example, routine may depend upon repressions and "balked dispositions" may explain "labour unrest."[1] The abnormal phenomena of dissociated personality or "fugue" may indicate some explanation of the ease with which a man may live two entirely different kinds of lives, one in the factory and the other at home.[2]

Finally, social psychology or the study of mental "groups" is now beginning, and this may make an immense difference to our understanding of economic "consumption." For example, demand or public taste is hardly ever individual, because the social group or the social "set" in which a person lives determines his choice of a house, of dress, and of food. Or again, group psychology may explain some of the facts of depressions in trade cycles, if at the same moment great numbers lose confidence. Social psychology, again, will certainly contain some explanation of the trade union mind or the occupational mind, and will study the mental characteristics, for example, of a coal-mining population.

In all these ways, then, psychology is different from what it was when the psychology still assumed in current economics was popular. Psychology is now (*a*) experimental, (*b*) behaviouristic, (*c*) reducible

[1] Cf. Graham Wallas's use of the idea of "balked disposition" in the *Great Society*.

[2] Cf. Rivers, *Instinct and the Unconscious*.

to terms of instinct and intelligence, (*d*) dependent upon pathological cases, and (*e*) a study of groups. It now remains to say what our psychology will assume.

The New Attitude.

First, it will be assumed in what follows that mental or psychic energy is primarily *expressive* rather than receptive. The terminology of stimulus and response, even in modern psychology, is therefore somewhat misleading, for that terminology seems to imply that a mind is awakened or brought to activity by its object. It is assumed here, on the contrary, that the primary characteristic of psychic life is initiation or creation. The conception of *horme* is fundamental, and even the *mneme* of Semon may be regarded as more expressive than receptive.[1] The psychic energy which psychology analyses may be regarded, then, as significant expression and not mere impressionability. From this it follows that the fundamental activity, even in economic life, is a going out, not a taking in. It is not desire, in the sense of want or capacity to be satisfied. The human being is not an appetite mainly or fundamentally, but a tendency or a "set" in a certain direction; and if "demand" is understood in this sense, it is fundamental. But "demand" so understood seems to imply that "supply" is subordinate or instrumental, a means to an end; and this may imply an entirely false

[1] Professor T. P. Nunn has worked out the meaning of *horme* in his *Education, its Data and Principles*. Semon depends upon the irritability of the organism or explaining his *mneme*, and thus assumes expressiveness.

psychology of "labour" or manufacture or commerce; for it may obscure the psychological fact that the mental energy or "set" may be expressed in the actual labour. Thus the writing of a book or the reading of it *may* be for the sake of some end, but psychic expression may be sufficiently realised in the actual writing or reading. Production, manufacture, or "business" activity may be expressive, and therefore pleasurable in itself; and it is a mistake to assume that "labour" or "work" or "effort" is what will naturally be avoided.[1] Incentive, therefore, is of subordinate importance.

Economic incentives, motives, or psychic habits, must in general be such as to explain *all* economic activities, and not only those of the business man or those of the manual labourer. No doubt there are very important psychological differences between the psychic activities of a navvy and those of a banker, but these differences will be considered later. For the moment the point is that there are some general statements which can be made about *all* economic activities. The traditional assumptions, however, seem to imply *either* that no one does economic work except for wealth or exceptional reward, as when it is said that no saving would occur if the rate of interest were not large; *or* that no one would work except under pressure of necessity, as when it is said that no labour would be obtainable if everyone had enough to eat. Often both these assumptions are accepted by the same economist; and they are not indeed inconsistent,

[1] J. A. Hobson in *Work and Wealth* has shown that production is not all "cost," but may contain elements of "reward" or enjoyment.

if we also assume that some men are moved in one way and some in another. But if this be admitted, an attempt is usually made to show that the only common characteristic in the motives of all men is want of something which they do not possess. Thus emptiness or vacuum is mistakenly regarded as the fundamental fact, and this is precisely what we are here denying. The fundamental psychic fact is the expression of personality or even of racial and group tendency. This is what " makes " people save or work ; this underlies even the desire for wealth and the fear of starvation. This is what is common to the banker and the navvy.[1]

In economics it is sometimes assumed that effort is disagreeable, and that the greater the effort the

[1] For the sake of logicians it is only necessary to add that in modern psychology energy or activity is not a mysterious vital force which, as the saying is, " makes " the body act. Such conceptions are logically primitive. All that is meant by energy is that certain behaviour or a certain series of psychic events is a systematic whole of correlated parts. Thus tendency or activity will be used here to indicate *the actual series*, not anything behind or above or within the series. Gravitation is not what " makes " the earth move : it is the earth's motion. So also activity is not what " makes " a man dig coal or save money : it is the actual digging or saving. This, however, is a logical point with which the economist is no more concerned than the psychologist.

It may be worth while to note that such logical points are important when we seek to analyse the old-fashioned psychology of " impressions " and " images " and " abstract ideas." The mind, which is the behaviour series of a thinking body, is not a *tabula rasa*, nor a mirror ; nor has it " contents," nor is the body its tool or instrument. The mind, mental process, or psychic energy, is a fact among other facts, which can be analysed ; and the structure of mind is the economic, political, or other social system of institutions, customs, and non-customary acts. The statistics of the exact science of economics, therefore, are actually descriptive of mind or psychic energy, which is matter of fact in this sense ; but we need not analyse further the logical assumptions of economics, for its psychological assumptions are our first concern.

more the psychic energy is exhausted ; whereas, in fact, psychologically, effort is often the greatest source of pleasure, as in games ; and great effort leaves the mind more active than subsidence before obstacles. Some economists, with an ethical turn of mind, assume that the ideal is larger results for smaller effort ; so that we may hope for a world in which there will be no " work " for anyone and large supplies for each. This assumes that " work " is what is best avoided, and it may be true of some work. But it is a psychological mistake to suppose that the nature of man is to accept, receive, or acquire. The natural man is not a banker but an explorer, who will make efforts to climb a hill for no other reason than that it has not been climbed before. The energies which make economic life, both production and consumption, are expressive of character, personality, or life ; and enjoyment or pleasure is naturally connected with all forms of expression. In ethics, also, the psychology of receptivity has been misleading, especially in connection with the ethical concept of " reward." Economics has borrowed this concept from ethics, and as heaven was once regarded as the purpose of virtue, so now an income is regarded as the purpose of effort, the " reward of enterprise," or the " just payment " for labour. It is assumed in all this that a man is not capable naturally of doing anything for its own sake, and, of course, there are some things which in fact no one would do except for the sake of something else. But these are not the dominant or fundamental activities of man. " Reward " is quite a trivial conception in ethics as satisfaction is in psychology. The fundamental psychic activities have in themselves their

own end or rather " purpose " and " end " are not applicable to them.

There is, of course, in mental activity a foresight of possible good and a striving towards it which is called purposive, and in which the good is treated as an end. In one sense of the word " motive," the end of purposive action is a motive. This is the status given in the assumed psychology of economics to *payment* or *gain*, or power to command services, and it is an important but secondary psychological factor. An " incentive," and not personal expression in work, may be necessary (1) to tide over lapses of interest or periods of lassitude ; it may also be necessary (2) to canalise or direct undecided impulse. But it does not play the chief part psychologically in the explanation of industrial activities.

Economics and ethics use the word " incentive " as if a man required a bait in order to be caught by the industrial hook. Probably the psychological assumptions underlying this attitude have never been analysed by those who adopt it, and it is closely connected with the utilitarian conception of a " motive." But this word, as used by the Utilitarians, seems to confuse the emotional attitude towards a conceived purpose with the emotional accompaniments of achieved purpose, and therefore is sometimes identified with pleasure or happiness. It has, however, been frequently shown that (1) the object giving the pleasure, and not the pleasure, is what is desired, and that (2) in any case the " future " pleasure, which does not now exist, cannot be the cause of the action.[1]

[1] Cf. Green, *Prolegomena to Ethics* ; Leslie Stephen, *Utilitarians*, etc.

Thus our general attitude here may be defined as containing two statements : (1) that the primary psychological fact is the expressive activity or *horme*, and (2) that the secondary fact is anticipation of possibilities which initiates purposive, intelligent action. We may now turn to a closer inspection of the economic activities.

Industrial Psychology.

What is called industrial psychology at present is mainly, if not entirely, the psychology of manual labour, and indeed not even all of that, since it does not usually include references to the unsatisfied desires of those who perform repetition tasks.[1] Such psychology is a psychology of the instrumental, almost the mechanised, mind ; and, of course, there is no objection to restricting the field of the psychologist's observation within these boundaries. Within that field a large amount of exact and important knowledge has been acquired by psychological investigation. But there are some defects in the results, which are due to the omission of influences active within the boundaries, which arise or operate mainly outside those boundaries. For example, if " labour unrest " is explained by reference to the monotony of repetition work, that part of the explanation which depends upon uncertainty of employment may be underestimated, and the psychologist may mislead himself and his public in trying to cure " unrest " by a mere re-

[1] This is not, of course, an adverse criticism. The field may be rightly limited for the purpose of exact investigation. Throughout this book use has been made of the *Journal of the National Institute of Industrial Psychology* and of the works of C. S. Myers, James Drever, etc.

arrangement of hours or of muscular rhythms. Industrial psychology, then, if valuable within a limited area of experience, is not yet inclusive enough to cover even the mental states of one type of economic activity, that of the manual worker.

Here, however, a more comprehensive psychology is needed. It must be the analysis and explanation of mind or mental processes in all kinds of economic activity. The financier, the organiser of manufacture or sale, the commercial traveller and the clerk must be noticed, as well as the manual worker in industry. The motives of the financier, the entrepreneur, or the owner of capital, have often been assumed to be well known. Economists have professed to know that such men would not work except for large rewards: and whether or not that is so, the important point to note is that the assumption is psychological.[1] But more is needed than a crude psychology of motives. The behaviour of the banker is quite as peculiar as that of the labourer, and his mental habits are important facts for economics and for ethics. Indeed, the psychology of the non-manual worker and of the owner of capital has much more importance in explaining industry and its moral standards than the current industrial psychology, because the industrial system is very largely the result of the mental habits and tendencies of capital-owners and financiers.[2] Many of the "laws of economics," or general

[1] This should be obvious, but it is often forgotten by economists. For example, R. H. Tawney's *Acquisitive Society* is largely psychology, not economics.

[2] F. W. Taussig's *Inventors and Moneymakers* contains some important psychological analysis, e.g. "The desire for additional wealth is the special psychological appurtenance of the prosperous and property-owning classes" (p. 122).

facts in economic practice, can be explained by analysis of the very peculiar mental processes of those who live by owning rather than earning; for example, the status of "property" in economics is probably due to the mental outlook of owners.[1]

It is proposed later to analyse separately the psychological facts in the different functions of economic activity, but here we may refer shortly to four commonly accepted main divisions. Economic life may be analysed psychologically as the mental activity of (*a*) the manual worker, (*b*) the organiser or "employer," (*c*) the shareholder or owner, and (*d*) the buyer or consumer and user. Production is the interaction of the first three. These are minds in groups or classes; and the manual workers form one class, the owners another, with the organisers of industry an uncertain third class, sometimes feeling themselves part of the owning, sometimes of the labouring class. No theory of interests is here implied. We are now discussing only the consciousness or class consciousness which actually exists and influences economic life, and it is undeniable that the wage-earners feel themselves to belong to a distinct class with a distinct mental outlook, and the owners of property feel themselves to belong to another. The class of organisers has not such consciousness of a separate outlook, although their acceptance of the two other outlooks at different times seems to show that they have at any rate an implied difference of outlook of their own. As users of goods and services, again, men have another common outlook.

The traditional psychology implies or asserts that

[1] Similarly theories of law and government have arisen under the influence of the psychological peculiarities of small groups.

the fundamental fact of economic life is " the desire for gain " or self-interest. It is not even the impulse or instinct of self-assertion or self-expression, but a direct aiming at what is pleasurable for the individual in his own opinion. It is admitted, however, that this supposed self-seeking results in pleasures which others enjoy ; for a " hidden hand," or the admirable system of nature, compels self-seeking to be socially beneficent. That it will be so beneficent, however, is not regarded as present to the mind of the persons occupied in industry. Here, however, another psychological analysis is made. The fundamental act in the psychology of economic activities *is not self-interest.* It is implied in the definition of economic activities (as those concerned with *exchange*) that in each of them the relation to others is a prominent characteristic. Psychologically economic life is a unity, or, if that seems to imply mythology, it may be said that each person working in industry is conscious of the " worth " of his work to others. The fundamental fact in economic life, then, is not the " desire for gain," still less self-seeking, but the *sense of dependence.* This is a psychological fact common to the navvy, the business man, and the investor ; it is the characteristic of economic activities which cannot be analysed into simpler terms. This sense of dependence, then, has to be explained.

If we contrast economic life with religious or cultural life in general, it will be seen that the mere fact of exchangeability or value in exchange distinguishes the activity of the bootmaker making boots for sale from the activity of the scholar pursuing truth. Activities which are consciously economic are instrumental ; they are expressions of reaction to

need or want (productive), or expressions of the need itself (consuming). In either case the relation to other persons is prominent, in a way in which it is not prominent in science or religion. The worker, organiser, or shareholder has an acute sense of the relation of what he does to what others do in the same field. This sense is the psychological fact which requires investigation in any psychology of economic life.

It may be said, however, that the political or governmental sphere shows the same sense of dependence in each individual. The reply must be based on a distinction between the psychology of citizenship and the psychology of industry. Clearly there is a sense of dependence in citizenship, which is the psychological ground for the old theory of social contract. But the dependence here is not my dependence upon the use or worth of my activity to others, it is rather a dependence of others upon me or of each upon all taken together. In the political sphere the dominant conception is that of rights, in the economic that of value in exchange. But the sense of rights is partly a sense of myself as a centre, and partly a sense of mutual dependence upon some Superior, and, by contrast, the sense of value in exchange is a sense of the attitude of others towards what I do. Thus dependence in the true meaning is much more characteristic of economic than of political association.

This sense of dependence is the psychological reason for the organisation of industrial life. This is the "hidden hand" which in the mythology of the early economists contrived to bring together what were falsely regarded as separate self-interests, for the interest is clearly not conceivable in abstrac-

tion from the attitude of others. A man aims at a wage or salary (i.e. at power to demand services) only because he feels or is conscious that his own activities are by themselves inadequate, and he is therefore conscious of solidarity. It is this sense of solidarity or interdependence which sets him going, not a deliberate seeking for his own separate gain. Thus Plato is right in basing the first community upon this consciousness of need; and if the *Republic* be regarded, not as a Utopia but as a psychological analysis, the whole of Plato's thesis may be dependent upon the idea that the sense of dependence is the fundamental fact in the psychology of economic life.

It will be said, however, that a sense of divergent interests is much more obvious, and that the interests are divided and subdivided, until finally we come to self-interests. Thus the sense of self-interest is, after all, fundamental. This is, of course, true at certain times and of certain persons; and it was perhaps the most obvious, if not the most important, fact in the middle of the nineteenth century. The progress of industrial invention and discovery led to differentiations within the economic community, and these differentiations assumed abnormal importance in the mind of that time. It became, therefore, almost impossible to see that all the activities of those in any way employed in industry or using industrial employment formed one system. First the "class consciousness" of the workers in the new mills and factories arose in their felt distinction from the master or employing class; next the groupings of different kinds of workers in different kinds of craft or industry formed the trade union group-mind, and a dim consciousness

arose of the conflict of interest between the producer and consumer, or the seller and buyer. Thus different groups were chiefly dominated by their opposition to others, and not be either (*a*) the solidarity of their members, or (*b*) the solidarity of all in the economic unit of production and consumption.

Self-interest certainly was vigorous in the nineteenth century, but that period was abnormal. It has been shown that the success of individuals who had neither inherited advantages nor special opportunities gave a special tone to the gospel of free competition.[1] Other periods show less of the sense of self-interest and non-industrial societies show less.

Secondly, the most important fact, even in the early industrial period, is the forming of groups in the same occupation, which naturally evolved the sense of group-life uniting occupations, until the present large group-sense of "Labour" and "Capital" and "Consumer" arose. The last stage now beginning is the development of the sense of dependence in the formation of an economic community.

Types of Mind.

Minds or mental systems are not only in logical classes, but also in groups. We must first, however, note the different classes of minds in economic life. The general psychological effects of *occupation* must be noticed, but they need not be discussed in detail here. It is well known that a man's occupation is the mark he makes upon his environ-

[1] Stephen, *Utilitarians*. He remarks that not only the new manufacturers but also the poets and literary men were self-made men.

ment and the whetstone of his intelligence. Persons of "no occupation," as the Census has it, and persons with indefinite and variable unimportant occupations, tend to intellectual and emotional decay. That is one of the chief arguments in the theory of morality against "leisured" classes, whose power to command services does not depend upon their rendering of services, for their occupation is a "hobby," and it makes no difference to them or to anyone else whether or not they follow it. They lack intellectual precision and emotional vitality. The worst become "cranks," the best suffer the boredom that is the psychological effect of the perception that what you do matters not at all either to you or to anyone else. All occupation, therefore, is important psychologically.

Among occupations the differences produce or are caused by different types of mind. Painting, for example, and preaching are the results of distinct types of mental tendency, and they mould the mind which is occupied in them. But these are on the borders of "economic" occupations. The mother's feeding of her new-born child is a better example of occupation outside the economic, and with these we are not here concerned.

Economic occupations as a class differ psychologically among themselves, as, for example, the digging of coal, the casting of accounts, the driving of a train, and the organising of manufacture or sale; and the following of each of these produces a different type of mind. From the point of view explained above, it is better to begin consideration of such facts as if the occupation were the expression of the mind rather than the mould into which the mind is run; but everyone knows that in fact

few such occupations are freely chosen because they "suit" the persons following them. In any case mind is organised or systematised in groups, whose members fulfil the same kind of function in economic life, and we can define the different types of mind in terms of behaviour. The mind which acts in the digging of coal expresses itself in behaviour of large-scale muscular repetitions, few eye adjustments, silences and reception of a small number of sounds. The hewer of coal at his work has few psychological outlets for his energies; but when away from the mine he takes easily to argument with his fellows or to music. The mind which acts in the keeping of accounts expresses itself in small muscular movements, constant and continuous shifting of the eyes over figures, and a certain alertness to the stimuli of what psychologists would call distraction. The clerk is quick-witted within narrow limits, and tends to the acceptance of prevalent beliefs and customs. Many other examples could be given, but it is obvious enough that a psychological analysis of mind as differentiated by occupation can be given. It is indeed assumed in the conversational truths which are current with regard to the teacher, the doctor, the financier, taken as types.

There is, however, one very important distinction which can be made between two types of mind found in every occupation. There is the *creative* type and there is the *instrumental* type. Examples are to be found just as much in directorates as in cotton-mills; and with a more ethical phraseology they are sometimes referred to as "original" or "imitative," as "revolutionary" or "traditional." Of course, every mind includes elements of both,

but the proportions of the elements vary in all minds, and some persons naturally seek new ways, while others naturally follow the old. It may be more exact to be still more subtle, and to say that the same person at different ages or in different moods is sometimes original, sometimes imitative; for it is true that adolescence is normally a seeking of new ways and old age normally a tendency to use worn tracks. The two elements, however, are psychological, and belong in the psycho-physical unit called a man or a human self either to the purposive or to the mechanical side of the unit mind-body.

This psychological distinction is often confused with a *moral* distinction of social functions, that, namely, between the directive mind and the mind of the agent; and this again becomes the fantastic contrast between the " master " mind and the slave's or woman's mind, as Aristotle conceived them. With moral distinctions of social function we are not here concerned, but the psychological distinctions are important for the preliminary analysis of economic life. They must not be held to imply either that those who are actually used as instruments in industry are in fact instrumental minds, or that those whose position in industry gives them power to initiate actually have creative minds. If there is such a mind as Aristotle found in slaves and women, it is to be found no less among the males who sometimes hold the position of masters.

The position of workers in factories and of clerks in offices is that of an instrument of a designing mind other than their own. Some such workers and clerks do undoubtedly feel this situation to be oppressive; but the moral protest against industrial enslavement has sometimes been based upon a

misreading of psychological facts. Mental activity, though necessarily expressive rather than receptive, is not necessarily original; and even if given the occasion for originality, a great number of persons do in fact choose the traditional way or succumb to suggestion made by others. The area of psychological fact over which mechanical or instrumental "laws" are valid is very great; and this is shown by the monotony of consumer's tastes no less than by the routine of the producer's processes.

The creative type of mind finds natural expression in change rather than repetition. There is more of *horme* in it than of *mneme*, for the past is less powerful in such a mind than the future. This is the type of mind which has brought the industrial system into existence, and will undoubtedly, by creating a new system, eventually destroy the industrial. The number of such minds and the powers they exercise vary from generation to generation, and in such a period as the middle nineteenth century there were many in economic life. But in every occupation and at every period there are probably some elements of the creative mind. Reformers and theorists are normally of this type, and therefore tend to exaggerate the oppressiveness of routine and to underrate its importance.

If it were not that great numbers were not original, the results of originality would be lost. *Mneme* is essential to *horme*. The mind runs most smoothly when it runs in grooves, and great numbers express the only "self" they have to express when they express somebody else. This is not cynicism, nor does it involve any moral judgment. It is simply a fact that the world we live

in, as far as economic life is concerned, is more obviously instrumental than creative.

A closer analysis of the instrumental type of mind reveals distinct characteristics. For example, (*a*) a satisfaction in routine. Recent experience of the effect of the return to industrial life after military service has shown that great numbers of men were "happier" in the army than they are in the works. Of course, this may be partly due to the periods of slackness in army life, to the better food obtainable, or to the sense of comradeship; but one among the causes for satisfaction is often said by ex-soldiers to be that "you know where you are" in the army. The routine is more regular; there are no domestic cares; no daily problems. You wait for orders, and the responsibility for obeying them has, once for all, been put off from your shoulders in the moral act of enlistment. Again (*b*) your future position is comparatively secure, by contrast with the continual fear of being "stood off" or of unemployment, which obsesses the mind of most workers in factories, if not in offices. Routine and security are satisfactory to the instrumental type of mind or to minds in their mechanical aspects.

Various writers have made play with the danger that machines may mechanise their makers and users. Samuel Butler, in *Erewhon*, expressed this idea; and some reformers have either been "machine-wreckers" or have advocated a return to the methods of the period before machines were so elaborate. A contemporary drama seems to express this psychological contrast, both as a general contrast between mental types and as a phenomenon specially prominent in economic life.

In *R.U.R.*, by Kapek, a formula is imagined to have been discovered by which synthetic "workers in industry" can be produced. These Robots are purely mechanical, although they have the appearance and skill of men. They are instruments, whether for industry or for war, of the will of others, or, at least, of a will not within the system which is the body of each.

These are indications that the distinction between the two types of mind is felt to be important; but it is unnecessary here to approve or condemn the tendency of industrial civilisation. It is enough if it be noted that the "individual" mind or self in economic activities is not always, and perhaps not often, a separate centre of original thought or action. This does not mean that the mind becomes "material," or that no mind at all is present when no creative imagination appears, for the distinction between necessity and freedom, "external" causation and "internal" imitation, occurs *within* the field surveyed by psychology.[1]

Economic life, then, is to be rendered psychologically in terms of instinct, intelligence, and occasionally purposive action, which are all expressive or instances of *horme*. The mind so expressive is a correlation of many minds in groups, and fundamentally all have the sense of this correlation. The fundamental fact in the psychology of industry is a sense of dependence from which groupings arise, occasionally tending to opposition between the groups whose action is economic life.

[1] Cf. Hobhouse, *Development and Purpose*.

CHAPTER III

INDUSTRIAL ORGANISATION

The business man and the worker in industry do not normally inquire into the moral quality of what they are doing, and even the economist is not concerned to think out the fundamentals of industrial activity. None of these is aware how far the explanation of what is done in getting and in using goods can be carried. But, without going so far as to discuss the nature of mind and matter, any criticism of industry should include at least a momentary glance at the activities which logically precede the exchange of goods and services. Industry must first be viewed as one whole and in its proper perspective in reference to human life.

The whole of industry is fundamentally the use of material energy for food, clothing, housing, and other such needs of men. This material energy is, scientifically viewed, the result of the absorption by the earth of the sun's heat. Man lives by taking up from the earth and plants, often through animals, this heat or energy of the sun, and he lived thus before there was any industry.

But it was not anywhere for long, and it is not now usually a mere going to the earth and taking what is there; for men increase their current resources of energy by skilled agriculture and industry. Tools and their elaboration in machinery,

and the accumulation and direction of material forces, now assist us to tap the stored and current energies of earth. The method, however, is not entirely "material." It is not simply a question what tools to use or how to use them. The problem of social organisation also must be faced. We must discover how best to organise the relation between men in what is in fact a joint enterprise for the use of the sun's energy; and in solving this problem of social organisation physical science can assist very little. This is the field of the social sciences, of which the most fundamental is psychology and the architectonic is ethics. These supply the thinking which accompanies and sometimes affects the actual social organisation which we use; but the greater part of social organisation is not the direct result of reasoning as to means and ends. Within the structure of natural human societies there are some customs and beliefs which directly subserve the use of the earth's energies, and of these one section is industry. The customs and beliefs connected with exchange of services are the stiffening or skeleton of industry taken as a whole. The rights of property, of personal freedom, of marriage, and the rest, are lines of organisation. They seem to limit the individual and divide society, but they are, as it were, the boundaries of the nerve and the muscle in the body social. When a painter draws a portrait he puts a line to mark where the face ends and the background begins: the line seems to limit and divide. There is in nature no such line existing independently of the objects distinguishable, for there is, at the edge of the face, only what logicians would call "not-face," which is another reality of the same order as the

face. The lines of the painter are abstractions, and so are the "rights" of the lawyer when they are considered as limiting and dividing. What really "limits" is the limit of the limited object or the beginning of the other object continuous with it; but this is not limitation in the sense of restriction, it is a completion of the same kind of reality carried beyond the particular individual.

Thus when men work together at using the resources of the world, the work of each is the carrying out of the work of the other. Juxtaposition is co-operation. The work of each is helped by the work of the other, so to speak, at his elbow. Ideally, industry is a joint enterprise of this kind; but in fact it is not. The work of some is not only not helped, it is actually hindered by the work of others. The manual worker is dismissed and his tools lie idle sometimes because of those who are working at the distribution of finance; the financier and organiser of industry is hindered by the inactivity of the worker.

Again, the work of some is sometimes obstructed by the presence or close contact of those who are doing no work at all in this enterprise for using nature. If at a man's elbow there stands another man taking up the free space, his presence obstructs the use of the worker's arm. The owners of property have sometimes this effect. They do not use the resources they own, but they prevent others from using their abilities. And the effect upon workers is of two kinds. They are physically obstructive, but they are also the causes of psychological hindrances. To see a man standing idle while one is hard at work may make one unwilling to work. The mere existence of a class which does not join

in the enterprise depresses the vitality of the remainder. Such a class may be hidden away. That is the meaning of the distinction between an industrial town where all are at work and a residential town where the social hindrances to enterprise are segregated; but as knowledge spreads discoveries are made, and social discoveries are more disturbing than astronomical.

For such reasons as these industry does not provide that field of self-realisation and social service which is necessary for the development of a high type of character and conduct in civilisation. It is, indeed, true that industry does serve the public, that goods are, in fact, produced and consumed; and this fact is of primary importance, for if we, the public, get any boots and bread, we are in fact served, and industry therefore is a public service. But if that were asserted as obvious truth, it would be thought to be a play upon words; for public service in the ordinary sense means employment by the organised community, and the organised community is popularly identified with the State. To the minds of most men, public servants are Government servants; but these do not normally produce boots and bread, and therefore industrial activity is not thought to be public service. Besides supplying goods, industry provides a livelihood for those engaged in it, and this fact has attracted more attention than the fact that it is a service.

Workers, employers, and shareholders are generally conceived to be aiming at their own private gain or the gain of the group of servants to which they belong; and the organisation of industry is such as to give the freest possible play to this desire for gain. It is not supposed either by the

public which is served or by its servants in industry that the chief aim of the servants is to serve anyone but themselves. Indeed, when a more skilful worker refuses to take advantage of a less skilful he is regarded as violating one of the canons of industrial activity, unless indeed he aims only at the gain of a group in which he will share. But industry so organised as to give the predominance to the desire for gain does not satisfy even that desire in the case of the majority of those engaged in it. Not only is industry defective as public service, it is also defective as self-realisation except for a minority.

Moral Defects of a System.

The moral problems involved in contemporary industry, however, do not originate in the villainy of men. The degradation of the workers in some trades, and the shoddiness of some of the products of industry, are not in the main due to the fact that employers or workers are incompetent or selfish. They are the results of a system : they are due to malorganisation or to the inadequacy of the present organisation for fulfilling the true purpose of industry. Therefore these evils must be cured, not by the catching of criminals, but by changing the system. Criminals may be converted by preachers or caught by policemen, but neither preachers nor policemen are competent to reorganise a section of social life. Again, those evils which are in fact due to criminals are best prevented by making such a system as will give no opportunity to criminals rather than by destroying those who have already committed crime.

The whole of industry, then, must be considered

from two points of view. In what way is it a public service and in what way not? And again, how far does it provide opportunity for the moral development of the servant? First the consumer's position must be considered. The general rule which is applicable as a criterion to the whole of industry from this point of view is that it should provide adequate services for civilised life. Boots and bread and houses are, indeed, provided, but what boots, what bread, and, above all, what houses! Not merely is an industrial town ugly and depressing, it is wasteful of goods and energy, and obstructive of intelligence in choice and of delicacy in taste.

It is foolish, indeed, to put down to the industrial system all the barbarism of contemporary life. Slum squalor may be due to the system of land-owning and not to industry. The Greeko-Baptist architecture of public buildings may be due to a feeble-minded religiosity rather than to the industrial production of bricks. The colourless and shapeless modern dress may be due, not to the clothing trade, but to a barbaric and eyeless education. But when all due allowances have been made for other sources of evil, the industrial system can still be proved guilty of defective service. The very principle upon which goods are offered for sale indicates the evil. *Caveat emptor* means that our servants in industry hold it to be their right to give as little as possible for as much as they can extract. Actual cheating by short weight and imitation of goods desired is sometimes condemned even by the producers as likely to destroy credit to their own disadvantage; and in some cases the law restricts adulteration and other forms of fraud.

But both the manual worker and the brain worker in industry are commonly believed to pursue as of right their own gain rather than public service. Most men, indeed, accept it as inevitable that those engaged in industry, unlike the soldier or the clergyman, should not perform service for the sake of those who are served. This is the root of all the moral defects in industrial service.

The evils of the present system have not always existed. Other systems may have had other evil results ; but certainly there have been times when the most obvious evils in our industrial countries were unknown, and there may be still places where such evils do not exist. For example, in earlier and simpler times, the bootmaker of an English town would know the persons who wore the boots he made. He would easily feel himself to be serving them ; but the boot and shoe operative now never sees and perhaps never thinks of the persons who wear the boots he makes. The market, as the economists say, is world-wide, and this means, psychologically, that it is depersonalised, for the supply of a market cannot be imaginatively realised as the service of men and women.

Again, take the service of bootmaking from the point of view of the wearer of boots. He does not now see the man or woman who makes his boots, but in earlier and simpler times he would. In the economy of the Middle Ages, then, it was easier for the wearer of boots to feel some personal relation to the maker of boots. If the bootmaker was old and feeble, pity might soften the hard heart of buyers of boots ; if the bootmaker could not live upon the price he got, the buyer would be more easily able to understand the request for more. If

the boots were bad, the buyer would know upon whom to put the blame; if they were good, to whom to give the credit.

The present organisation depersonalises the relation between the servants and those who are served. Something may be done to correct this by improving the imagination of men, as for example during the war pictures of trench life were placed in shell factories in order to make the workers understand the importance to the life of their comrades of a high standard of workmanship. In the end, however, this increase of social imagination is not enough. It can never become so effective as to dominate the actions of the servants or of the public, although at times it may operate to correct selfishness and to enforce responsibility. The imagination is easily dulled by routine, and the sense of far issues operates but fitfully.

No practicable solution is to be found in reversing the tendency of history by going back to the small industry and the restricted markets of the Middle Ages. Apart from the fact that we could not put back the clock, it would not be desirable to go back to those earlier systems; for there are good results of the larger system of modern industry which would be lost. For example, when the defects of industry are considered, the improvements of life by industry should not be forgotten. Transport and communications are quicker and more continuous, and this increases the opportunities for personal effectiveness. There is a larger supply of food and clothing than there was in pre-industrial times.

Nevertheless, the tendencies of the world-market may be directed by a conscious policy without being reversed or obstructed. If we cannot restore the

small-scale production and the local market of earlier times, we can at least correct the anarchy of the existing relationships between the maker and the user of goods. The maker might be brought into definite relation with users known to him, even if in some cases they were separated by half the circumference of the earth. During the war the British Government rearranged the coal services of Great Britain by fixing on a definite principle the connection between each particular coalfield and the area in which its services were used. It was found at the beginning of the war that transport was being wasted in carrying coal for long distances which could be supplied nearer at hand, and therefore, largely to save transport, each coal-using area was compelled to depend upon the nearest available coalfield. This is not, of course, a complete description of the scheme, but it serves to show what can be done when the relation between a supply and its market is controlled by public policy, and not by the chance of larger profits for a servant competing to get as much as he can.

Operation of a Moral Standard.

The fundamental method for reform, however, is a change in the dominant conception operative in industry, and this involves not spiritual conversion or sentiment, but reorganisation. The organisation of industry must be so changed that the needs or desires of the persons served by it should be actually operative in regard to what is supplied and how it is distributed. The economists say that Demand, as they call it, actually does control the situation ; but it is significant that they seldom analyse the

character of Demand, and that the traditional economics is much more concerned with the analysis of Supply. Indeed, Demand is unorganised. The public served by industry is not a real community, but a collection of individualistic and disorderly appetites, without intelligence or taste. Compared with this, the public served by State services, the citizens of a State, are a real unity with much more definite conceptions of what they want and why they want it. If, therefore, the public served in industry could be a real community (as will be suggested later), the reorganisation of industry as a public service would be possible. Two principles govern this reorganisation. First, the organisation of industrial services must be in the hands, not of agents of the sellers, merchants, financiers, and the rest, but in the hands of those who are served. Being in their hands implies a form of control or direction, and the quality or character of that direction remains still to be discussed. But as a preliminary it must be recognised in actual practice that the moral end of all industrial activities is to serve the public, and this can be secured only if representatives of the public as consumers have the final word as to the quality and kind of service.

But, secondly, the organisation of industry from this point of view is not for the sake nor expressive of the Demand of the individualised consumers of the economists. Demand in this sense is a communal, not a private activity. The representatives of the public, as served by industry, are no more representative of individuals than are political representatives. The whole economic group of persons served must direct as a group; and the

needs and desires of all individuals, in so far as they are operative in the reorganisation of industry, must be the needs and desires of members of a real society.

These two principles are actually operative in those public services which are State services, and in sections of the teaching profession which are not State services. Whether such principles can be applied to industry remains to be discussed, but it is worth while to note what distinctions there are in fact between the existing two types of organisation of services. Take, for example, any one of those non-industrial occupations in which the principle of public service does operate. In the Army and Navy and Civil Service, in the Church and the teaching profession, the organisation is on a large modern scale. The persons served are not imaginatively present to the servant; but the service is organised as a service of those who are served, not of the servants. The servants, of course, make a living and undoubtedly do aim at payment, but the organisation of the service is not dominated by that aim. The organisation of State services differs from that of industrial services in two ways: first, in the method of payment for service, and, secondly, in the standard adopted by the payers.

In State services the payment is fixed and continuous. The soldier, the civil servant, the clergyman, and the teacher, knows how much he may expect in a year; and he knows that he may continuously, at least for the year, expect something. But in industry the employer as shareholder sometimes gets too much, and sometimes perhaps too little; and the worker, when he is unemployed, gets nothing at all, or much too little. Fluctuation

on the one side, uncertainty and discontinuity on the other—these are the characteristics of the payment for services in our present industrial system.

Again, the payment given to soldiers or teachers is not fixed in the main by themselves. True, it must be an amount which will attract them to those occupations; but there are other attractions besides the amount one gets for a service ; and in any case the representatives of the taxpayer and ratepayer decide the amount. In industry, however, the amount given for the service performed is much more completely controlled by one section of those who perform the service. Even they cannot get more than the public will give if the public cannot do without the service altogether ; but there is a wide margin within which more or less may be secured by the skill or rapacity of the organisers of industrial service.

Of course, it is not here denied that there is a " market rate " for State service as there is for industrial service. It is not asserted that the public estimate the payment due to their servants by reference to any principle of abstract justice. Every service, of whatever kind, is paid for at a rate which is the result of two forces, the desire of the servant and the desire of the persons served. There seems to be no practical rule for fixing what is a " fair " or " reasonable " payment except this pull and counter-pull ; but the system is differently organised in the case of the public services on the one hand and industry on the other. For it is assumed, and is in practice true, that the desire of the servant in the public services is not entirely for his own advantage, and that the desire of the

persons served is not entirely for *their* sole advantage. In public services the organisation gives most of the control into the hands of the persons served; in industry the organisation gives control into the hands of some of the servants.

In the second place, the payment for State services is calculated by the payers, not by reference to the least possible amount which would be accepted, but by reference to the *efficiency of the service.* This is the standard. The tendency to save in payments never so operates as to diminish the efficiency of the service if (*a*) the service is wanted, and (*b*) it is generally believed that efficiency can be increased by increased payment. No one thinks of paying for a cheaper substitute instead of a real battleship or a gun which will kill; but many are satisfied with what looks like bread and boots, and is appearance rather than reality. Our taste in weapons for killing is, indeed, more carefully developed than our taste in the materials and instruments for living. But to apply in practice the standard of efficiency of the service to the goods and services of industry may, no doubt, involve more payment by the public served. However that may be, in order that industry may become in fact a public service, its organisation would have to be such that the payment for services should be (1) fixed and continuous, (2) controlled ultimately by the public served, and (3) based upon the efficiency of the service.

Subordination of Economic Motives.

A change in this direction will probably have the effect of diminishing the amount of the preoccupa-

tion with money values in the minds of those who buy and sell industrial services. One of the most obvious contrasts at present between services organised as public and as industrial services is that in regard to public services money value is not normally a predominant interest. The public servant does indeed aim at his income, but he does not think so continuously or so eagerly of what he gets for service performed, because the amount is fixed and secure. The business man and the worker normally think more of what they are to get than of the service to be performed. On the side of the public also there is less preoccupation with the money paid for service and more with the efficiency of the servant, whereas in industry the phrase *caveat emptor* warns them that they must be preoccupied with what they are to pay to be served. In industry, therefore, there would be a moral advance if there were less attention to money values and more to the excellence of the service and the development of the servant.

Undoubtedly both these changes would improve the effectiveness of industry as a means to civilised life. The place of industry in civilisation would be more lofty than it is. Business would not seem ignoble, and the public regard for the status of their servants would produce for the public itself a finer quality of goods and services.

If attention is now turned to the other element in the moral criterion, with reference to the producer's activities, it will be seen that a similar general principle can be applied to industry as a whole. The problem here is how to secure that in serving the public those who are engaged in industry shall be able to realise what is best in

them, develop their capacities and exercise their abilities.

At once the mind turns towards what is called "the spur of necessity." There are, indeed, some artists who make a livelihood by what they enjoy doing; but it seems to be generally agreed that the vast majority of those engaged in industry would not do what they now do if they were not compelled. The compulsion is of many kinds. Great numbers of men and women are compelled by a danger of starvation, and these are supposed to be driven; but others, who get more than wages, are attracted by opportunities and are thus compelled, not by being driven, but by being pulled. The assumption is that no man or woman desires to do anything that is useful, and therefore that they must be persuaded or compelled by the skilful manipulation of such desires as they possess. The desire of which most use is made in industry is the desire for wealth or at least for a livelihood, and wealth in this sense simply means the power to command services.

Now, the desire to obtain power to command services is not necessarily ignoble. Some moralists seem to have exaggerated the evil in a desire for riches, because it is by itself morally degrading. But no one has gone so far as to say that the desire for a bare livelihood is morally wrong, and the desire for riches is simply an extension of the same fundamental impulse. Industrial service is for the majority the only means of securing opportunities for developing their abilities in the art of life, and all men naturally have the impulse to expand and exercise their personalities in new directions. Indeed, what is morally defective in the existing

industrial system is not so much that it provides a few with opportunities that are inevitably wasted, but that it does not provide the vast majority with enough opportunity. That is to say, it is not the desire for power to command services which is wrong, but the thwarting of that desire in the case of the majority. This, and not the "desire for riches," is the moral evil; for from this arises what may be regarded as an abnormal psychological complex, the preoccupation with money, the means, to the extinction of all thought as to the use of money.

A complex, which is simply a system of ideas and conations with a peculiar feeling-tone, is normally part of the structure of the individual and of the group-mind. All minds are systems of such complexes, as we have already seen; but desires, efforts, and conceptions, which for the majority can have no outlet, are suppressed and grow dominant even unconsciously. The desire for riches which moralists rightly condemn is this abnormal growth; and the evil of the industrial system in this regard is that it causes this disease of the group-mind.

Put into plain words, it is unnatural and it is obstructive of the moral development of character and conduct; it is therefore a hindrance to civilised life that the vast majority of those engaged in industry do not have and cannot acquire the opportunities for developing their abilities. The whole conception of the nature of payment for services is misleading. Almost all psychology written or implied by the economists seems to treat the economic "incentive" as identical with "reward." Thus payment to capital owners for the use of their capital and to workers for their work is treated as

a " reward " for service rendered. Income of any kind is assimilated psychologically to the " tip " given to the porter or the waiter, and its efficacy in securing the supply of capital or labour is thought to depend upon the satisfaction of the person " rewarded " or his expectation of further rewards. Clearly this is an inheritance from a primitive conception of morality or of human action, for it is closely connected with the idea of the good man as the man who deserves a " reward " in heaven. Some ethical theories seem to imply that no man could or would be good if he did not expect a " reward," and some have argued that this is a proof of immortality, since some men die without appreciable " reward." [1]

The whole conception of reward is misleading, and in some ways immoral. The moral principle of payment looks forward as well as back. Payment is not morally the closing of the account for what has been done. What is given to the servant of the public is not a reward for past service but the opportunity for better service.

Probably, income of all kinds should be considered to be not reward but opportunity for maintaining and developing the exercises of a function ; that is to say, what a man gets or should get as a result of his work is payment which will enable him to fulfil his function. The scholar then gets, not a " tip " for his hints, but books and bread and quiet, in order that he may be a better scholar. The carpenter gets what will make him a better carpenter, or, if he feels ability to perform some

[1] This seems to be the most important error in Rashdall's *Theory of Good and Evil*, but of course the same error is to be found in all the traditional ethics.

other function, what will give him power to transfer his services by "rising in the world," or even becoming a poet or a statesman.

Payment thus understood is dependent not entirely, and perhaps not mainly, upon the need of the person paid, but upon the need of the persons paying. The reason for wages and other income is at least as much the need of the receiver as that of the giver of the service. The public need for services thus has equal status with the public servant's need for power or for self-development.

But the final judgment as to what is needed to make a good servant must be in the hands of the servant. This is what is implied in the phrase "control by the workers," and anything short of such independence of the servant reduces the servant to slavery, for he becomes a mere instrument in the hands of those who use his services. The workman knows what it is that makes a tool a good tool and the tool does not; but the human being that performs a service is not an instrument or a tool, and he does know what it is that is necessary for the adequate fulfilment of his service. The function he has to perform is, in any civilised society, a conscious function. It demands not merely acquiescence, but intellectual and imaginative contribution to the whole of social life; and this cannot be given if someone else is to decide what the worker needs in order to do good work.

The receiver of payment does not ask for benevolence or charity, but for his right; and obviously, if he is to serve at all, it is his right to be able to serve as well as possible. He has a right to everything which will make him a better servant, always having in mind the amount which the public have

available for the payment of all their servants. Thus the amount he gets is his right, but he has no isolated and segregate right irrespective of the rights of other servants of the public, since his function is only an element in the whole complex of public services. The proportion of payment which each worker gets is dependent upon what other workers get, and the adjustment of the proportions is probably dependent upon the whole of the public needs.[1]

Further, the person who performs a function in producing and distributing goods is inevitably something more than a producer. He is also a member of the public served; and in that sphere also he has a right to opportunities for the development of taste or skill in the use of goods and services. But since the vast majority at present can obtain these opportunities only at the price of rendering service, the payment for service must be more than what is enough to make him a good producer. Even the artist who is absorbed in his art requires more than is necessary for the exercise of that particular art, for he should be able to contribute to the taste and skill of his community outside the frontiers of his own special art. This seems to be what is implied in the protest against the "fodder" basis in the payment of workers, for it is felt that payment should differ in principle from the feeding and stabling of beasts of burden. This may be carried still further by speaking not merely of the user of services but of the human being, who is, in fact, always more than a user of services or an "economic" consumer. The payment for service ought to be enough to give opportunity for the exercise

[1] Cf. Hobhouse, *Social Justice*, ch. vii.

of abilities which are in no sense economic. For example, the father has a non-economic relation to his child, and his mind must be free enough from the consideration of the exchange value of services to exercise his abilities as a father. What is sometimes called " being social " in dances, at dinners, and in general conversation, is also a non-economic field for abilities. No civilised man can be without some capacity for these, and therefore the opportunities he derives from his service rendered must be enough for these. Industry, and indeed the whole of the economic or exchange elements in life, thus find their due, and subordinate, place among activities which are much more subtle and morally more important than the activities of either consumer or producer. But that is a larger issue. It is enough for the present argument that the opportunities derived by the servant from his service must be adequate to increase his ability to serve and to develop his general character and conduct. The organisation of industry, then, from this point of view must be such as to give to the " producers " what older moralists called self-realisation, and this involves the judgment by the workers in industry of the best methods of developing their own abilities.

It follows that the organisation of industry as a public service must be one for giving and not for getting service, for if the aim of those who need the service obstructs the free judgment of the servant, it is difficult to say whether the public will limit their choice of the means they adopt for getting what they need. Will they " stick at " anything? Will they not get the service whatever it costs those who serve them? Of course, benevolence will prevent the obvious torture of servants in order

to get service. Men will shrink from demanding *some* sufferings or sacrifices ; but, first, slavery was an organisation for getting services, and the sufferings of the servants increased as those who were served learnt to need more services, and secondly, it is fatally easy to be blind to the cost of service if other people pay the cost. The elaborate organisation of modern economic life provides abundant opportunity for hiding from those who are served the cost to their servants of the service performed.

Therefore the organisation of industry ought to be for *giving* service, that is to say it ought to be dominated by the desire to serve, not the desire to be served. The servants and not those served should design and administer the service. The service of the public should be the expression of the vitality and imaginativeness of those who choose to serve in this way or that, and not the bitter result of the pressure of necessity forcing them to serve. It ought to be, in fact, free service, not slave service ; and of the two parts of that conception, it is more important that it is " free " than even that it is " service." This, again, involves a conception of civilised life which will be further discussed when the nature of the ideal is explained. But given the freedom of the servants, two problems arise : (1) Does the desire to serve exist, and (2) Is this desire strong enough to dominate the tendency of the servant to desire his own personal gain ?

Psychologically, the desire to serve a community may be a late development, but the instinct to serve persons is quite as fundamental as the instinct of self-preservation. Its root is the desire for self-expression. The bubbling up of vitality seeking an outlet finds its natural channel in service of others

even among animals. In primitive tribes, indeed, the impulse to serve is far more obvious than the self-seeking to which the abstract moralists of the eighteenth and nineteenth centuries tried to reduce all human impulses. The impulse, or instinct, to serve persons, as the father serves his family, may develop into the desire to serve a community. It seems likely, therefore, for psychological reasons that the desire to serve can be strong enough to dominate self-seeking. But will the free service of those engaged in industry allow sufficient freedom of choice to those who need their services? Will the public served be able to exercise any function except that of acquiescence? Will a bureaucracy of industrial organisations rule us for our good indeed, but without regard to our own conceptions of what is for our good? The answer to these questions is so doubtful that even those who believe in the freedom of the servant usually suggest some control by the persons served.

Popular programmes of reform have already attempted to solve the obvious difficulty which might arise from conflicts between the two points of view. The suggestion is made that there should be a composite authority representing both the consumers and the producers, both the public as users of service and the public as servants. It is, of course, obvious that the same persons are represented on either side, but each person in a different function. It is not necessary here to discuss the actual programme for a Joint Committee or for a combination of a Parliament and an Industrial Congress, but the assumption implied by such a programme is relevant to the present argument. It is assumed—and this seems to be true—that in

the greatest number of cases the public services which are needed will be opportunities for full development of the servants, and that the satisfaction of the desires for self-expression on the part of the servants will be actually public services. But it is also assumed—and this is certainly false—that this harmony will always or inevitably in the long run be attained. A programme which establishes some one body in which conflicts of interest can be expressed and compromises reached may be excellent, but it should not be thought to be a solution of the fundamental moral difficulty. Whatever may be the normal experience in certain cases, there is an opposition of moral interests between the demand for services and the demand for self-development in rendering service. There are types of service which an individual or a community may rightly claim which do not develop but limit, or may even destroy the capacities of the servant. This is generally agreed in regard to giving one's life for another or for the State; and no mythology of self-realisation or of "inner meaning" must be allowed to obscure the fact that if an individual sacrifices his life he really loses and does not gain. But the same principle is valid even in regard to some forms of occupation. It cannot be regarded as morally wrong for services which are essential to be limiting to the servant.

On the other hand, there are types of personality which may rightly claim development, in activities which are not needed by and may even limit or destroy other individuals or communities. No mythology about a higher service or a serving of the City of God must obscure this fact. The artist and the prophet may be morally justified in certain

circumstances if he destroys the society in which he finds himself and does not serve it.

The reorganisation of industry as a whole, therefore, on the double basis of public service and free development of those who serve, must be understood to have its limits. It is the application of a moral principle to actual practice, but it does not solve the most fundamental moral issue.

Industry as a whole, then, is morally both an opportunity for development of those engaged in it and also a service of a community regarded as users or consumers, which service is morally a development of character and conduct in the community. The present organisation of industry indicates the influence of some such moral standard, but the moral standard also results in criticism of certain defects of the industrial system as a whole.

We have now to consider the distinct functions which are to be observed within the whole of industrial life, and these functions are performed by distinct social or economic classes.

CHAPTER IV

THE WORKERS IN INDUSTRY

Definition of the Term "Worker."

The first class which falls to be considered is that called by Marx the proletariat. This class will be assumed here to include the workers in mills and factories, in mines and on railroads. There are, of course, great differences of mental outlook and perhaps even differences of moral function in society among the members of this class, for the docker has hardly anything in common with the skilled electrician. But we may accept as a useful starting-point the conversational use of the phrase "working classes," which in industrial countries is almost equivalent to the proletariat. What has to be said, however, will apply more exactly to the worker in what is strictly called industry than to workers in agriculture or domestic servants; partly because the two latter are not services characteristic of the present economic system, and partly because they differ in mental outlook from the industrial workers. The emphasis will be, then, upon workers in mills, factories and mines; but it will be assumed that these have important characteristics which are common to them and to agriculturists and domestic servants, so that we may speak here of the whole of the so-called "working classes." We have to

discuss what sort of persons they are and what moral standard is applicable to their actions.

Psychological Data.

The preliminary question of psychology must be considered. Is there a common outlook which can be called " proletarian " ? And if so, is that outlook characteristic of the greater part or the whole of the working classes ? There are, of course, many classifications of men which may not be felt as differentiating them by the men in question ; for example, one might class together all men with red hair, but there is no common outlook of men with red hair, no red-haired class consciousness. And Marx was peculiarly liable to suppose that if there was a common interest it must be *felt* by those whose interest it was, as is shown by his crude internationalism. His followers have, therefore, hypostasised a " proletarian mind."

There is no such psychological outlook. To imagine that there is would be as fantastic as the oldest superstition about " the will of the people." For first, what is called the proletarian outlook is a political and economic doctrine, not a psychological tendency. It may or may not be to the interest of the workers in industry to destroy capitalism ; but the opinion that it is to their interest is like imperialism or nationalism or any other such doctrine, and is hardly what is meant by a psychological attitude. And further, even if acceptance of such a doctrine may imply a proletarian attitude of mind, there is no evidence that it is shared by many workers in any land. It is useless therefore, for exact thinking to depend

upon such a phrase as the proletarian mind or outlook.

All the workers in industry, however, do their work in closely integrated groups; all are wage-earners; few have security of tenure in their work; and all are under the direction of persons of another class who direct their labour. These facts create a characteristic mental outlook or "set" which is what we shall here call that of the workers. This psychological "set" or direction of mental activity explains what a worker is and what his function may be.

Most significant is the sense of grouping which has arisen in the close contact of equals in the modern factory, mill, or mine. Men and women who work together in close contact develop quite a new psychological attitude unknown to the gildsmen of the Middle Ages or to the domestic craftsmen. Industrial workers are thus distinguished from domestic servants and agricultural labourers, who work normally in isolation or without many equals present. Trade Unionism is the direct outcome of this modern development of a group-mind among the workers, and it does *not* involve in its first stages anything which can be called a "class" consciousness. Trade unions arose among distinct, separate groups of textile workers, miners, railwaymen. The group-minds were occupational and local, and only at a much later stage of experience or thought did a group-mind of all workers arise. Even now the intimacy of contact between those who either work together in the same mill or have the same type of occupation is much greater than that between the miners and the textile workers. The main point, however, is that the industrial

worker has never been psychologically an individualist.[1]

Secondly, it is characteristic of the workers to take short views, and this can be traced directly to the wages system. The payment for services in mills and factories takes place at short intervals and in small sums. Wages thus differ from salary or other income, and the result upon the mind is to limit its schemes or purposes, because looking forward can never imply looking far. This is the ground for the partly false assertion that the workers are more interested in rates of wages than in social conditions. The power to command services (which is wages) comes spasmodically and at short intervals and in small amounts. Hence there are no reserves and no power which can be regarded as permanent over a long period.[2] The workers are, therefore, not normally capable of judging, for example, policy aimed at distant results. Their mental outlook is restricted.

Thirdly, a sense of uncertainty is exceedingly common. Many actually suffer from unemployment at certain times, but the far more important psychological fact is that *all* suffer from the fear of unemployment. All but a very few industrial workers feel that they may at short notice be left

[1] I intend this to be a direct contradiction of the psychological assumption of economists and of such writers on ethics as Henry Sidgwick, who speak of the wages contract as though it were a relation between an *individual* worker and an employer. The industrial worker has never felt himself to be an atomic individual. See Appendix I. The Group-Mind in Trade Unionism.

[2] An example is the absence of provision, during the time of high wages in the war period, for the coming period of low wages. Some, of course, had savings, but the trade unions did not raise their rates of contribution from members. Membership increased, and therefore funds increased, but not sufficiently.

without means of supporting themselves or their dependants by their own labour. The risk of unemployment is present to their minds. Those who do not become actually unemployed, as most railwaymen, see the effects of unemployment upon their fellows, and the result is a very characteristic nervousness or even irritability which did not exist in the pre-industrial period. The modern worker feels very much less confidence in the relationship he bears to society than men did in the days of "status." Contract, as compared with status, is insecure. Hence the mental outlook of industrial workers gives a far greater welcome to suggestions of change in the system than did the older mental outlook of pre-industrial craftsmen.

Fourthly, a sense of dependence is common. This is not like the sense of the farm-worker or flunkey. It is in industry often accompanied by resentment or opposition, for the industrial worker does not normally regard "the master," still less his representative, as naturally and inevitably superior. The very fact that in the industrial period workers have become masters has made the sense of dependence less acquiescent; but most workers recognise that the will of another is the motive force in what they do. Some feel themselves to be tools or instruments of the employer, others feel themselves to be agents. But all are aware, at least dimly, of mental dependence upon persons of another class, performing a different social function. On this sense of dependence rather than upon a common occupational outlook rests what is called "class consciousness." This is the psychological fact referred to in the contrast between workers and employers, or "labour" and "capital."

Finally, the greater part of the workers in industry are routine workers doing repetition work.[1] This is an immensely important fact for psychology, for repetition tends to the formation of habit which even gnomic philosophy recognised as "second nature." The workers are in close contact with machines and are in danger of being mechanised. This is from one point of view an advantage, for speed and exactness result from repetition, and there is less waste of energy in effortless routine than in considered adaptation of new or changeable behaviour. Also the mind which is partly employed in routine is often fresher at other times for imaginative life. On the other hand, the psychological type of the industrial worker tends to be (1) de-individualised, and (2) undeveloped mentally. The majority of workers tend to be as similar as the houses they live in, and, in the second place, there is neither time nor scope for individuality. The psychological "set" or tendency, the *horme* of the workers is canalised, regularised, and very similar in different persons. The miners, for example, are much more like one another than the craftsmen of the same craft in the Middle Ages were, and for the modern worker every day is very like every other day.

So far we have spoken of all workers, irrespective of sex or age; but modern industry uses women and children in the working class, and not in the directing or owning class. This is largely because women and children can be easily made into instru-

[1] This section is fully developed in what is usually known as "industrial psychology," but most of the work done in this field avoids general conclusions as to the psychological outlook resulting from routine.

ments of another will. What psychological facts, then, are involved in the industrial activities of women and children? Special problems arise when the servants of the public in industry are women. The early factory legislation in Great Britain was supported by popular opinion largely because of the suffering of women and children in the new mills of the late eighteenth century; and even to-day, although obviously sanitation and light in factories are required by men as well as women, the British Factory Acts protect women and children primarily and men incidentally. Clearly every human being, whether man, woman, or child, who serves the public in industry requires at least a minimum of cleanliness, air, light, and space. These, if they are claimed for women, are not claimed for them as women, but as human beings, although sometimes it is politically expedient to appeal to the sympathy for woman workers in order to secure reforms which are necessary for all workers.

There are, however, some requirements of women as women. Some poisons, as for example lead poisons, appear to affect women rather than men, rendering women sterile, killing the unborn child, or making the child of the woman in works where lead poisoning is possible less likely to survive the first year of life. Again, the physical structure of women makes the lifting by them of heavy weights injurious. Position while at work is another problem: continuous standing is hurtful, and continuous sitting may be no less hurtful.

A section of industrial work is for financial reasons (small wages, etc.) peculiarly the sphere of women; in the most general terms this section may be described as simple repetition processes,

such as in stamped metal work or cigarette-packing. But these processes often have dehumanising or devitalising effects, not simply because of the monotony, but also because of the exhaustion of nervous attention.

Finally, as the machine dominates the man by the monotony of its rhythms and may thus dehumanise him, so it may hurt the woman. The greater part of industrial organisation is based upon what may be called male requirements. But the rhythms and changes in the life of a woman are more clearly defined and in some ways quite different from those of a man. Continuous work at the same pressure, which may not hurt a man, may hurt a woman. The mental outlook, therefore, of women in industry includes much more deeply felt strain. The pressure on them is greater, the power of resistance and initiative smaller. Neither the grouping nor the uncertainties of wage-earners weigh so deeply upon women as the routine and the urgency of the industrial system.[1]

All this is well known to industrial organisers and economists, but it is too little known to the general public which is served by women in industry. Of course, we have a feeling of revulsion now when we read of the haggard women lashed to trucks who hauled the coal in the pits in the early nineteenth century. We can hardly imagine that we should use coal got by women slaves, as our forefathers did. There were public emotions in 1905 enough to create the Trade Board regulations against the "sweating" of women workers. But the general public is still very crude in its conceptions of the

[1] Cf. the admirable statement of these moral-economic facts in Mrs. Williams's *Social Aspects of Industrial Problems*.

right provision for those who serve it. Even in domestic service, which is more obviously under the eye, there are homes of culture in which animals have a more suitable accommodation than the servants; and in many middle-class homes the needs of the family cat or of the lap-dog are more carefully considered than the needs of a mere cook or maid. Perhaps, then, the servants of the public in industry, in blouse-making, in glove-making, in shoe factories, for example, will not be considered imaginatively by those who use their services until we become a little more civilised.

Turn now to adolescents and children: how do these servants in industry fare? A sort of Tennysonian progress, "slowly broadening," has indeed occurred. We no longer use children for going up inside our chimneys; we no longer permit children of five years old to work at making our clothing, as our forefathers did when the wealth of Lancashire and Yorkshire was being established. But the industrial mill does not yet spare the plastic and delicate period of adolescence. At a time of life when new emotions are bubbling up in every human being, when "conversion" and "falling in love" and other such noble as well as ignoble experiences have to be faced, the vast majority of youths and girls in industrial countries are caught in the wheels of manufacture. Do they find their vocation or the service for which they are most fitted? Clearly not: they "find a place," a livelihood if they can, but not a vocation. The psychological "set" or tendency, then, of the adolescents and children in industry is prematurely rigid or fixed; it follows that the generations are run into similar moulds more readily than they would be if no one entered

industrial employment until his mind and character had already passed through adolescence. But the modern industrial system cannot wait. The urgency of production seems to absorb the new generation into the machine.

The conclusion is that psychologically the workers' outlook is that of women and children as well as men; that is to say, it is the outlook of a whole social class, and not simply of those who perform a certain type of social economic function. The outlook of the miner or the textile worker is shared by the members of his or her family much more completely than is the case with the family of the banker or the clerk. The "working" class is much more genuinely a psychological type than any other social class.

Thus the psychological effects of modern industry indicate moral problems. What can be made of persons so formed by circumstances? Can they develop to the full height of human culture, or must we believe with Aristotle that there is a slave mind?

Moral Standards.

1. Conditions.

We turn, then, to the moral standards now operative in regard to the workers. What place are they given in society? They are clearly co-operators in production; but are they merely tools and instruments, or, as the reformers pointed out, merely "hands"? If they are, then they can hardly develop full humanity, for that involves conscious and responsible co-operation. Now, the answer to the question in regard to moral standards must be found, not in the sentiments of idealists,

but in the administration of law, in industrial organisation and social custom. We must observe how the workers are in fact treated by members of other social classes, and what sort of claim they assert for themselves. It is admitted that they are not educated or cultured, and that their power to command services in travel or leisure is very limited. Most of the workers do not expect or claim anything different. But a general tendency has been observable during the past century which seems vaguely to aim at a freer culture and a more extensive power to command services among the workers. This is the operation of a moral standard. The tendency has been explained by reference to the "social conscience," a certain restlessness or uneasiness in society when made aware of the sufferings or limitations of the lives of workers in industry. The dominant tendency has not been revolutionary, and the changes it has produced have been very gradual and partial; but the implied moral standard is clear. It is assumed that all human beings have a capacity for mental and moral development higher or finer than that of contemporary workers. It is assumed, therefore, that Aristotle was wrong. The class which in fact is a working class is not naturally or inevitably slavish, nor can the function they perform be purely instrumental or like that of a tool of an alien will.

The full moral development of workers in industry has been thought to be hampered by two chief obstacles: (1) the routine and urgency of industry, and (2) the insecurity and dependence upon another's will. We shall speak of these in order. The first obstacle to moral excellence of the workers in industry appears to be the monotony or mechani-

sation of sections of industrial work. The argument seems to be that psychologically human life is rhythmical, thus differing from the operation of natural forces and machinery. There are ups and downs of emotion and intelligence in every individual. Moral excellence depends upon the recognition and use of this psychological fact. But in many industrial occupations the machine dominates the man. As a psychological investigator puts it: "In some operations, such as spinning (in cotton mills), the output is controlled almost entirely by the machine, and consequently the effects of the individual differences in ability are reduced to a minimum. On the other hand, a process such as drawing-in (by hand) is entirely dependent upon the skill and speed of the worker, and there appears to be much scope for the expression of individual differences in ability." [1] Now, morally it is better that there should be "scope for the expression of individual ability." Therefore those sections of industry in which no such scope is to be found are obstructive of moral excellence. They result in "balked dispositions" and unnatural "repressions." Abnormal complexes are formed, which are morally undesirable. The worker does not develop his finest abilities in the work he does.

It may be said that those who attempt to think out the meaning of this moral ideal in its application to the lives of the workers are in danger of sentimentalism. Certainly the normal worker does not feel the monotony or oppressive conditions of labour as much as a writer or an academic professor would. Certainly the concentration required for historical and scientific research exhausts a person

[1] I.F.R.B., No. 7. Report on Cotton Industry (S. Wyatt).

physically as much and perhaps more than manual labour. It is, therefore, almost impossible to discover any exact standard of need which is applicable to all men whatever their occupation. What appear at first sight to be limitations to the development of personality may not, after a closer scrutiny, be found to be actually such. For these and similar reasons it has always been possible for theorists to discount the apparently oppressive conditions which they themselves do not endure, and to assume or to imply that the existing situation, whatever it is, allows quite as much opportunity to all members of the community as each is able to use. This general attitude of acquiescence in what exists because there is no clearly conceived alternative, has been reinforced by moral conclusions connected with religious custom and belief. It is true that a man may be virtuous who is in fact ignorant and emotionally undeveloped. It is also true, as will be shown later, that the possibility of improving the situation does not imply that men must wait to achieve their full development until the situation is improved. It has on these grounds been falsely concluded that the external circumstances or conditions in actual occupations are irrelevant for moral philosophy. It has been said that "it will all come right in the end," or that life in heaven will adjust the inequalities of life on earth. Those who suffer under-development because of oppressive conditions have in fact been told by religious teachers that they must endure, and that their highest duty is contentment with the sphere of life in which they find themselves. They have been told by non-religious moral theorists that true virtue consists in using whatever opportunities you have, and it has

been implied that the increase of those opportunities is morally irrelevant.[1] The conclusion, in any case, that such opportunities as now exist are the only opportunities that can or that should exist is simply false. The false conclusion is due to confusing personal "virtue," in the usual sense of the English word, with moral excellence. Obviously one's intentions may be good even in the doing of a bad act, and having credit for good intentions is what is usually meant by being "virtuous." But such virtue does not make any less cogent the moral objection to stunted emotions and feeble intelligence. Again, obviously the use of opportunities and not the existence of opportunities for development is what is most important morally; but this truth does not invalidate the further truth that moral excellence is in part dependent upon the existence of opportunities.

In practice, the fallacies of moral teaching have not been effective in preventing the increase of opportunities for the workers in industry. Some objections were made to the abolition of slavery on the ground that it was good for the slaves, and to the employment of children as chimney-sweepers on the ground that it was good for the children. But these objections were swept aside. Legislation and administration, as well as voluntary organisation, since the beginning of the nineteenth century, have been based upon the *moral* determination to increase the opportunities for self-development in industrial service; for to secure health and safety is to advance the growth of personality. Whether the new laws affecting employment in factories and

[1] These issues are admirably dealt with in A. E. Taylor's *The Problem of Conduct*.

mines were based upon sympathy for sufferers or upon some more fundamental view of the solidarity of society, the effect desired and actually attained was the improvement of conditions, and the improved conditions have led to an increase of moral excellence.[1]

The record of industrial legislation is well known. General conditions have been improved in mills, factories, and mines. Cleanliness and light have increased. Outside of working hours, also, health legislation has raised the standard of life. The time employed in industry has been decreased and opportunities, especially for education, increased. Again, the insecurity of the worker has been partly amended by insurance against illness and unemployment, and by such Acts as the Old Age Pensions Act. The position of the modern worker is, therefore, somewhat less dependent upon the will of the individual employer or manager.

The result upon workers is that they are more civilised than their forerunners were. Their demands are greater. The food, housing, and clothing they desire are more elaborate, and the leisure "enjoyments" are more varied. This does not imply the end or culmination of a process, nor does it imply that more radical change is unnecessary, but it provides a basis for a new moral standard. The effect upon industrial organisation is undeniable. It has been made more suitable for the moral and intellectual development of those employed, and in that sense there has been moral improvement.

[1] It is assumed here and throughout the argument that the Greek conception of excellence is fundamentally sounder than the English conception of virtue. The workers have been made more intelligent by industrial reform.

This is what is meant by the operation of a moral ideal in changing a social situation ; but, of course, the change may have effected other improvements which are not at all, or at least not directly, moral. For example, industrial organisation has been made more effective in the economic sense ; production has actually increased and consumption in some cases become more varied because of reforms which were aimed at other results. Shortening of hours in order to increase the amenities of life of workers has in some cases actually increased their output. The enforcement of safety measures in mines and mills has decreased the waste of ability and energy. But the most important results of the changes in industrial organisation from our present point of view are the results on character and conduct.[1]

It must further be noted that some of the changes which have had good *moral* effects have come about unconsciously or have been introduced with an eye to non-moral effects. For example, the change in lighting of factories, from earlier methods to electricity, may have had good moral effects ; but electrical machinery was not invented for this purpose, and its introduction may have been due simply to a desire for an economic result—smaller overhead charges. In regard to this cause of moral change the argument here is irrelevant, for the cause is certainly not the operation of an ideal ; but in other cases the cause of change certainly has been the operation of a moral ideal.

[1] Industrial psychology often includes ethical assumptions which are obsolete, but the psychologist may not be aware that his arguments in favour of psychology imply moral judgments. For example, in R. M. Wilson's *The Care of Human Machinery*, fatigue of workers is treated as " enemy of the employers' pocket," p. 22 ; and healthy workers as " the evidence of commercial success."

Where, however, a moral ideal or standard has operated, it is important to discover what that ideal or standard is. Professor Dicey, in his *Law and Public Opinion*, has shown that the motive ideals during the nineteenth century in English law have been, in the main, two : the individualistic and the collectivist. Effective public opinion, thus classified under two heads, certainly implied a moral standard. To the former period, the individualistic, belong the mitigation of the criminal law, the emancipation of slaves, and various Acts for the protection of individual rights. The standard operating in these measures does not directly concern us here. But in about 1840 a new series of Acts began which gave special advantages to the poorer classes, and particularly to the workers in industry. Women and children in factories and workshops were given protection, some occupations were entirely abolished by law, wages were protected, and various public health Acts changed the home conditions of industrial workers. All this has been called by Dicey " socialistic " ; but it was not the outcome of what would to-day be called socialism. It was not due to a revolutionary tendency, aiming at a fundamental transformation of the system, but to a tendency to reform or amend the evils of a system which, in the main, was taken for granted. The tendency, however, was socialistic in another sense of the word, a sense perhaps intended by Dicey. It implied the consciousness of a class or group as beneficiaries, and also it implied an intention to change the relationship of groups of men in society. The moral standard operating, then, in industrial legislation has been (1) the conception of workers as more fully developed, as a class, intellectually

and morally, and (2) the conception of society or "the community" as composed equally of workers and of other classes. Every increase of rights or opportunities for workers was felt to be an increase of moral excellence in the whole community.

The same ideal or standard is operative to-day in the efforts of reformers and in the criticism of existing industrial practices, and the standard undoubtedly arises out of a psychological reaction to perceived facts. The extreme evils revealed in the Reports on the Steel Strike in the United States, and the exceptional cases referred to in current Reports of the Factory Inspectors or other officials, are not directly relevant here, although any system which allows such evils to occur must be in some way defective.[1] Neglecting, however, the more obvious depression of personality by enslavement or overwork or underpayment, the normal practices of industry are criticised with a view to a moral standard. Not personal virtue, as already stated, but excellence is what is in question. It is not asked whether a coal-miner or a blast-furnaceman or a weaver or a boy in a glass-works can have a "good" character, but whether he or she can develop the intelligence and emotional ability with which each is endowed. And the existing practices in industry are believed by reformers to make such development in many cases impossible.

The vaguely conceived moral standard which has in the past hundred years inspired industrial reform and still keeps the movement alive may be analysed

[1] The moral standards implied in the annual Reports of the Chief Inspector of Factories and the moral progress that has been caused by these Reports would form the subject of an important investigation. For example, Karl Marx's influence is largely due to his use of the early Reports in *Capital*.

under two chief heads, to which we have already referred: (1) development of the servant, and (2) excellence of the service. But in regard to the workers, as distinguished from other persons engaged in industrial service, the former heading seems to explain reforms more completely than the latter. The development of personality may take place partly within and partly outside of those activities which we have called economic. Hence two movements have occurred, one (*a*) for the humanising of the actual occupation, the other (*b*) for the increase of leisure. (*a*) The occupation is less crudely regular. There are holidays and a better adjustment of "shifts." The psychologists have improved manual processes so that they are less irksome. And now "welfare" is a recognised part of management. This implies that both in law and custom the occupation of a worker should be such as to allow of a realisation of his capacities. The conception that the worker in industry should find the work an opportunity for intellectual and moral development is not opposed by any contradictory beliefs; but ancient custom, surviving in industrial organisation, still involves that the worker is in fact a mere instrument of another will, and therefore is limited morally. Again, few would deny that the workers do not in fact have the opportunities for development which are possessed by other classes; but custom in this case also makes it appear inevitable that some in every society should have much fewer opportunities than others.

(*b*) The other element in the reforming movement, therefore, is a completion of the operative ideal. Leisure is increased with a view to its possible effects in giving opportunity for individual tastes

or originality. The moral standard implied that no man will obtain full and free development *only* in his economic activities. However suitable these activities are, they are not enough. A higher type of culture, therefore, always demands leisure. The psychological *horme* is always exploratory or experimental, and no man is developed who has not an imagination freely playing outside the fixed relationships in which he stands to others in society.

The result aimed at in the operation of such a standard must not be misunderstood. No sane man expects or desires every member of a community to be a genius, or even to be original and self-directive. The opportunities being given equally, it would not follow that all men would be similar. The functions to be performed in industry would still be various, and many would be found who would be happiest and best developed in instrumental rather than creative employments.[1] But each person working in industry as miner, railwayman, furnace-man, or textile-worker, would find opportunity in his employment and outside it for the fullest development of his abilities.

The fact, however, is that we are driven when attempting to give opportunities for moral development to look *outside* industrial occupations (i.e. to leisure) for such opportunities. This is significant. It implies that there are some occupations which in themselves cannot be opportunities for full moral development; and no sane man will deny this

[1] "For those occupied in conveying material between two groups of workers dependent on each other, we need workers with well-developed motor ability and *low mentality* generally, but an average memory, i.e. someone who is strong and is content with a job which does not demand much mental exertion" (J. S. Rowntree in *Journal of Industrial Psychology*, p. 243, April 1923).

when he considers cotton-spinning, dyeing, scavenging, and the adding of figures in accounts. But are we, then, driven by moral standards to *abolish* such occupations? Can there be in accordance with our moral ideal any occupations in which the employed person, although not positively oppressed morally, is unable to develop his personality? Yes. There can and should be such occupations, and the moral ground for their existence is the conception of service. To this, therefore, we now turn.

2. Status.

The problem must be viewed here chiefly with regard to the workers in industry. We have shown that the moral standard implies, and in operation has actually secured, that the workers should find opportunity for the development of moral excellence; but in fact many occupations continue which preclude such development at least partially. In such occupations the workers seem to do their work, not for their own sake, but for the sake of others. The moral ground for the existence of such occupations is a moral excellence which is, at any rate, not primarily that of the persons so occupied; and this seems, at any rate, to mean that they are being sacrificed for the gain of other persons — that they are simply tools or instruments, and not, as Kant said all men should be, ends in themselves.

It is proposed to argue here that morally this "sacrifice" is justified by a conception of communal service, and that this implies that occupation is not solely for the development of the person occupied. But we must, first, acknowledge the force of the argument against this limitation of the right

of self-development, especially in regard to the workers in industry. The phrase which expresses revolt is "control by the workers," and the usual explanation of the phrase is that the *status* of the workers must be changed. It is generally implied that the workers must be given a share in the administration of industry, or, ideally, that they must take over the whole administration; but when these phrases are explained, they appear to imply that in a political community the citizens "have a share in" or have "taken over" the whole of administration, and this is clearly a myth. The facts of political life are so idealised as to be almost misrepresented, and this ideal system is then advocated for application to industry.

The important problem, however, is not the applicability of political methods to industrial organisation, but the precise function which a worker in industry has to perform in communal life. His occupation is clearly not entirely for the sake of his own personal self-development; but is he, then, at least partly an instrument for the development of others? In practice in industry, as may be seen in the addresses of chairmen of companies, the workers are regarded as instruments for the earning of profit. By that criterion their "efficiency" is tested.

The first important point is the relation of all those reforms which we have discussed above to the interests or to the moral development of those who are *not* the workers concerned. Suppose that the worker is made a better worker by improved conditions, shorter hours, and greater security: is that the final moral justification of the reforms? Many writers on industrial psychology seem to

imply that it is. Of course, psychologists are often quite incompetent to understand what the moral judgment implies, for they identify the statement " this is what generally occurs " with " this is what ought to occur." But moral judgments are continually being made by those who do not understand their character. Hence if a new " behaviour system " can make it easier for the worker to produce more, this is often treated as a moral justification for introducing that system.

All advocacy of the famous Taylor system of scientific management implies a mistaken moral judgment. The psychological facts are not in dispute. They belong to that section of psychology which is the analysis of (1) reflexes and fixed reactions, and (2) the formation and maintenance of habits. Other psychological facts, however, such as imitation or originality, improvement through trial and error, emotional " tone " and personality, are generally omitted when " efficiency " is being considered. Unfortunately, the peculiar meaning given to the word " intelligence " in the United States of America has affected the phrase " intelligence tests "; and the efficiency psychologists seem to think they are analysing " intelligence " when they are timing reactions. Professor Spearman, on purely psychological grounds, has suggested a change of terms and of their meanings.

It is known that skill can be improved by teaching. The " expert " can design methods, based upon the study of motion-graphs, by which other persons can perform acts more rapidly and more easily. Again, the acts may be performed more easily the less conscious the agent is of what he is doing; and so it seems that the consciousness

can be transferred to the " manager " while the act is perfected in the worker. Finally, routine and repetition, as we have learnt from machinery, will produce most rapidly what has been produced before —the ideal of the nineteenth century. Thus the efficiency psychologist will produce out of the mere worker "l'homme machine," not now in metaphor but as a practical " working proposition."

All this, however, is psychology. We are more concerned here with the moral judgment, and for this purpose we must assume here, what is explained above, that in proportion as a person's acts tend on the whole to be involuntary reflexes, in that proportion the person becomes less excellent morally. This may seem to be a denial of Aristotle's conception that virtue is a habit ; but, of course, it is clearly an acceptance of Aristotle's own doctrine that slave action is not morally excellent. We must obviously distinguish between the habit of a free man and the instrumentalism of slave action, although this *moral* distinction may be of no significance in behaviouristic psychology. Habit is morally excellent in so far as it is (1) based originally in moral deliberation and choice, and (2) itself the basis for creative or artistic, individual choice. Both these characteristics are absent from " slave " action, which is the governance of a behaviour series by an intelligence alien to the body of the agent, and also the increase of the tendency of an agent to depend upon an alien intelligence. In less abstract terms, the worker under an efficiency system is not exercising moral habit, but is controlled by the intelligence of a manager as an engine is controlled by its user ; and secondly, the system, so far from increasing the ability of the worker to

act originally, actually increases his dependence upon the intelligence of the manager. Efficiency systems are profoundly immoral in their effects, for they demoralise the worker; and no service, however necessary, can be morally justified which makes a responsible person a mere tool in the hands of another.

All attempts to advocate efficiency systems either imply that a worker is a machine, since they rest on the advantage of a more perfectly adjusted mechanical contrivance; or they are logical fallacies resting on the confusion of moral habit with slave action. No one denies the excellence of habit, and, indeed, the moral necessity of reducing many acts to unconscious habit. For example, a person is not morally degraded if he learns to dress himself without thinking what he is doing. Similarly, the worker naturally acquires facility and unconscious behaviour-systems; but this still leaves alive, even in his work, his own mind. Short of an efficiency system, however, it may be agreed that the moral ground for supporting improvement in the conditions of workers is that it "pays." Less crudely stated, this means that the service rendered is better if the servants are better fed and work under better conditions. Thus "welfare" would seem to be regarded as morally excellent, because it "oils the machinery" or makes the worker more satisfied. But this again implies that the worker is like the slave, the non-human instrument to be used for the good of another, and this is not morally justifiable.

The main moral ground for all the improvements in the conditions of the workers is the improvement of their personalities. Indeed, the advocates of industrial reform at the beginning did not know

that the reforms would be economically valuable, and they were opposed by the economists of the day on the ground that they were interfering with "economic" laws. The reforms of the middle nineteenth century, and even the present vogue in welfare, were made possible by public sympathy, not by the desire for gain to be got out of more efficient workers. The tone of the Acts passed is perfectly clear. They are expressions of a moral sentiment which demanded, not mere efficiency, but finer personalities, or at least better opportunities for such to arise.

Clearly our assumption in the preceding section was correct. The *chief* moral ground for industrial reform is not the excellence of the service, but the moral excellence of the worker; that is to say, better conditions and greater leisure are morally good *chiefly* because of their effect on the character and conduct of the workers, although it is a subsidiary moral good that the service should be more efficient. This subsidiary moral good has been, no doubt, the ground for supporting industrial reform with some "employers" and some economists, but it is not the main ground for its moral justification. Honesty may be the best policy, but that is certainly not the main ground for being honest.

We conclude, then, that although the excellence of the service is a moral ground for estimating the value of an occupation, no occupation can be morally good which does not allow of some development of the person occupied. There is, then, clearly a limit to the applicability of the criterion "excellence of the service." In other words, although the worker, like other occupied persons, may have to sacrifice some scope for development in his occupation, no

occupied person is morally bound to sacrifice his personality. No service whatever exists *only* for the sake of the persons served, from which it follows that if any change in the conditions of service is a disadvantage to the persons served, that might be no moral ground for opposing the change. It may in certain cases be morally good for the public to be less efficiently served ; in other words, there are some conditions of service which no person is morally justified in accepting. The issue may even to-day be best considered by reference to that we know as slavery.

Even the service of the community may be slave service, and it would be no less objectionable than any other slave service. Slavery officially and by name survives as " domestic slavery " in the East and in parts of Africa, but to the mind of most of the Western World it has been abolished. This seems to mean that ownership of the person of the servant is no longer recognised in law, and the word slavery has become opprobrious. To call a man a slave is generally understood to mean that he is not quite a man, and a person who feels himself to be a slave would doubtless feel that his life was unendurable. The institution of slavery in the past, however, has not always had objectionable results for society at large nor even for the slaves themselves ; that is to say, although the legal and social status of the slave was always and everywhere bad for society, the actual relations between the slave and the persons he served was often humane and socially beneficent. This does not mean that slavery was ever good, but only that men have always been better than their institutions imply. It must not, then, be imagined that because early

economic service was slave service it was therefore always objectionable to the slaves. At the end of the slave period in European history, Gregory the Great adopted as the highest title of the Papacy "Servus servorum Dei," when "servus" still meant "slave" rather than servant, but when Christianity had ennobled the conception of service. Then came the long history of serfdom and the escape from serfdom in the towns and cities. The workers in the country—that is, by far the majority—were for ten centuries partially "owned" by those whom they served; but the workers in the towns, whether as masters or journeymen, did service without being in any sense owned. The discovery of "subject" races in America and Africa set back the clock. Drake and Hawkins, following the Spaniards, re-established, mainly in the Western Hemisphere, the practice of service by ownership of persons; but that stage also is past. Slavery is disreputable.

The position of the workers in agriculture, still the majority, and in industry to-day is affected by the long history of service as slavery, and therefore it would be impossible to understand the present difficulties in regard to those who are called "working" men without reference to the attitude of mind and the habits surviving from the practice of slavery. Many of our contemporary beliefs and customs are by no means "in the nature of things," but are survivals of the slavery period; and even the efforts of reformers and the protests of revolutionaries often imply assumptions which belong to the times when service was mainly slavery and when industrial service was all slavery. For example, the confusion of ownership with organisation of services, the belief that the person who "owns"

the material or the machine should or can organise the use of it, is probably a survival of the time when clothing was made by the family slaves. Again, the reformer's conception that what is needed is benevolence rather than a change of status for "working" men, is probably a survival of the duty of slave-masters. Even the revolutionary is probably affected by atavisms in his insistence on public "ownership" as essential to public service, for it is possible to conceive of an organisation of public service in regard to which ownership would be quite irrelevant. But perhaps what is meant is that where everyone "owns" nothing is owned, and the public property is simply not property at all. In any case, public service must be genuine service, but it should be free. Now, the conception of an economic service which is free must imply (1) that the service can be avoided if the servant so desires, and (2) that the servant has something to contribute in regard to the organisation of his service. The former point is generally admitted in theory, but not in practice, for the worker is still *adscriptus glebæ* if he has no power to travel or to acquire new forms of skill. It is reasonable to assume that no one should receive service unless he renders service. As Rousseau said, "Every idler is a thief"; but it is not reasonable to refuse the right of choice among the many possible ways of serving. The second point, that the worker should determine the conditions of his service, is not so commonly admitted; but in practice the workers do contribute to the administration of industry.

What is, in fact, the present status of workers? The position, at least in Great Britain, has been

greatly changed in the past century, and the dominant fact to-day is trade unionism. Even the improvement of conditions is less important than the legal recognition and administrative use of trade unions; for the Trade Union Acts imply (1) that the workers so organised have a will and policy of their own of which the community takes account, and (2) that the workers so organised have a part to play in the administration and organisation of production. This is, in a sense, a control of industry or a partial direction of its operations, although it leaves the workers, even in their organised groups, without any function in regard to the dominating influence in industry—financial policy. The public acceptance, however, of trade union status is the expression of a moral standard, implying that the workers in industry have a common function to perform in the community of which they are members. They have to contribute to the policy and organisation, and not simply to the "man power" of industry. Their thought and imagination must affect the methods of production.[1] They are not simply "workers by hand," for in their trade union organisation they are "workers by brain," having their own point-of-view and policy to express. And the public which needs the services they perform is assisted by the organisation provided by trade unions.

The service of the workers, then, in so far as it is not simply instrumental or slave service, is best rendered in and through their own organisations, in which their mind is expressed. The moral ground for the development of trade unionism is not only that the workers thus secure opportunity

[1] Cf. the suggestion in the Sankey Report on Coal-mining, 1919.

for self-development, but also that they are thus able to contribute their own point-of-view to the organisation of the service they perform. Without trade unionism the opportunities for development tend to rest upon benevolence and to be regarded as charitable gifts, whereas they are moral rights; and without trade unionism the public has not the advantage of all that experience which the workers in an industry accumulate, which can be used for the improvement of the service. Any attack upon trade unionism, therefore, is an attack not only upon the workers but upon the public.

There are, no doubt, defects in the performance of their social function by trade unions. Because of the determined opposition they have had to face, they are still much dominated by the suspicion of "outsiders," and most of them conceive the interests of their members too narrowly. Again, the function they might perform in improving the service they render is not often before their minds. But these defects are largely due to the very natural limitations of men and women who feel that their status, although recognised, is continually menaced.

By way of contrast to those who perceive the defect of the trade union mind, there are some who see in trade unionism the basis for a new system of organising industrial services. These associate the modern trade union with the mediæval gild, although the gild was (1) largely a religious organisation, even when its members belonged to one craft, (2) an association of owners of tools and materials, and (3) an integral part of an economic system which has entirely disappeared in modern industry. The historical mistakes implied, however, are of subordinate importance; the main issue is as to

the function which ideally the trade union should perform. It is said that the workers will never attain the status which they have a right to claim until they obey no one but those whom they have themselves selected, and it is suggested that this selection should take place through trade unions extended in each industry, to include all the managers or organisers in that industry.

We need not here consider whether it is likely that trade unions will ever be so extended; our special problem is the moral standard implied in the ideal of what is called "self-government in industry," or the "democratising of industry." Is it true that service is "free" only if the servant obeys himself or his elected agent? It seems probable that this implies a fantastic and mythical conception of freedom such as committed Rousseau to the absurdity of suggesting that we should "compel men to be free." The employer is not "free" simply because he acts only in his own interests. It is fundamental, therefore, to question whether the obedience rendered to oneself or one's elected agent is a service of one's own interests, and whether to determine the conditions of service is conceived as extending one's own opportunities or as improving the quality of the service rendered. The claim for control or a share in administrative power, if it is to be morally justified, must imply a claim to serve more adequately and not primarily a claim to benefit. The democratic "operation" of industry is a better phrase than the democratic "control," for operation is positive and functional, but control seems to imply restraint or hindrance.[1] This demo-

[1] The phrase "democratic operation" was used in the Resolution discussed at the American Federation of Labour meeting, June 1921. Cf. *New Republic*, July 13, 1921.

cratic operation implies that the persons at work in an industrial service shall decide or determine the methods, or some of the methods, by which the service is organised. But the conception of democracy is very vague. It is commonly assumed that in political democracy the people as a whole, or a majority of the people, deliberately choose or design the acts by which they are governed. In practice, however, democracy is little more than a method of securing alternative tyranny; it is an improvement upon tyranny in its simplest sense, not because it abolishes all tyrants, but because it provides a simple means of changing one tyrant for another.

In the present stage of democratic practice and methods, if what happens in politics is to happen in industry, a democratic regime would involve only a choice of controllers or directors by workers instead of owners; it would in no sense involve that the workers themselves direct or control or "operate" industrial services. This may be workers' control in the minds of some of its advocates, but probably such advocates do not acknowledge that in the choice of political representation the voters have no function but acquiescence in one of two alternatives. The amount of "control" over legislation and administration exercised through the vote cannot be called self-government by any but the vaguest Idealism.[1]

[1] The conceptions of vicarious functioning (through representatives) and of obeying yourself, the "real" will, etc., all seem to rest upon an uncritical assumption of similarity between the "self" and the "social whole." Self-government in Bosanquet's rendering (*Philosophical Theory of the State*) is pure mythology. When I obey a law of Parliament I am not obeying myself; when the Prime Minister governs, I do not govern.

Again, the persons chosen by the workers for the operation or direction of industrial services would be unlikely to view their task as primarily a service of the general public. They would naturally have most in mind their electors. They would look to the workers as company directors now look to the shareholders. And as the representative of a constituency in politics now usually looks, not to the services which England can render to distant peoples, but to the gain of his constituents, so in industry the administration of industry by persons elected on the workers' suffrage would be likely to endanger the interests of the persons served by that industry. This is not, of course, an argument against free service as contrasted with slave service, but it is an argument against treating industry as if it were for the sake of those employed in it. It is an argument which implies that service remains a fundamental problem, even when we have agreed that all service should be free. It is impossible to conceive of a service in which the interest of the servants is dominant, or of one in which the servants decide what is needed by those who enjoy their services.

Freedom, which is essential for the moral status of the worker in industry, cannot mean domination, nor does it involve for any man or group of men that he or they should perform *all* the functions which are essential to the success of any one function. Freedom involves having scope for the full performance of the one function in which you form an integral part of the whole community. The worker in industry has the moral right to contribute not only his strength but also his thought to the service of the public; but his thought as a worker, his

experience in performing his function, has little or no bearing upon the manipulation of finance or the development of markets. The seaman may advise on changes of wind, but he has no moral right either to navigate or to choose navigators. And he is no less " free " if he obeys the direction of those who are performing a different social function.

The status of the workers with respect to the organising of industry is not adequately rendered if only their relation to employers is considered. The function the workers fulfil must be expressed in terms of their relation to " the consumer " and to the economic community. The fundamental question, indeed, is not " who shall control or organise ? " but " for what end is industry to be carried on ? " And in answer, with due allowance for what has already been said in regard to self-development of the workers, it must be stated that industry is a public service. The end or purpose of all industrial activities is service of the consumer, or rather of the economic community ; but the distinction between these two phrases will be discussed later. In any case the worker in industry is a public servant. The miner and the railwayman, the baker and the worker in a boot factory, are as truly servants of the public as any civil servant or soldier. What they produce is used by the public, and that use is its chief purpose. Thus all industry, and therefore the worker's function, is fundamentally a public service.

But the defects of the existing system from the point of view of public service are most obvious when the position of the industrial worker is considered. Theoretically, he serves the consumer of his products, the enjoyer of his services ; but in practice his work is dominated by the idea of another

service. The workers are thought of and think of themselves not as public servants, but as labouring for "employers," and it makes little difference to them that these employers are, in a sense, themselves servants of the public. The workers feel that they are working, first, perhaps for their own wages, and, secondly, for the interests of the organisers and controllers of industrial service; but there is no general sense that their work is for the sake of the public at large. Economists have emphasised the worker's desire for wages, and they have sometimes pointed out that the interests of the controller of industry is to serve the public; but in the modern world the relation between the operative in a boot factory and the person who wears the boot he makes is so distant that economists have not laid stress upon it. We can hardly wonder, then, that the worker in the boot factory has little if any sense of the service he renders to the user of boots.

The sense of being used for interests which are not those of the community has given rise to discontent among the small number of workers who think out their own social position, and this discontent has found expression in the phrase "production for use and not for profit." This implies a demand for a new status for the worker; but the demand is still clearer in the advocacy of "nationalisation." It is outside our purview here to argue for or against "nationalisation," but it is essential to note that the demand for nationalising any great service is based on the desire of some workers to be more effectually and really public servants than they now are. Thus it is a claim to the status of the civil servant and the soldier.

The moral ideal that service should be communal has not remained a vague sentiment or a rhetoric for revolutionaries. It has been at work, as we have seen in the case of other ideals, in the improvement of industrial organisation through government. The outstanding example in Great Britain is the treatment of unemployment. The method is well known. Since 1909 and 1911 the State has helped (1) to diminish unemployment by Exchanges, and (2) to relieve the burden of the unemployed by Insurance. The point of interest for us here is that the public funds have borne part of the charge for unemployment. This is a practical acknowledgment of the responsibility of the community for its servants. If workers in industry were merely instruments for profit-making, the "employers" would maintain them in slack periods as they did their slaves in the slave period of industry. If the workers were merely serving themselves, they could have no moral claim to assistance when they lost the opportunity to get wages. But since their services are essential to the public and the public gain if they are not starved to death in periods of trade depression, the workers are partly maintained while they are waiting to serve. Their moral status is exactly the same as that of the soldier who is maintained while he is not actually fighting; but for various obscure reasons the soldier is maintained in full efficiency, although the worker in industry is given only the barest minimum out of public funds.

A similar principle—the public's responsibility for its servants—may have been at work in Trade Board legislation, for here too it was public sympathy which introduced the system. Those

who make cheap cardboard boxes or chairs or clothes, are servants of the public who use such goods, and the public is in some way responsible for the conditions of their service.

But the most striking example of the status of the worker is the legality of the "strike." There are some who still think of a great strike as if it were a "slave war," an unnatural revolt of tools against their users; but the general opinion accepts the right of the servant to refuse to serve. It will be shown below that in all strikes the consumer is a party and should suffer, but here we are concerned with the worker's rights in regard to strikes. The moral right, underlying the legal right, to strike rests upon the practical impossibility of securing otherwise the efficacy of two principles: (1) that the worker is not simply an instrument for the gain of employers or shareholders, and (2) that the worker's service should be free co-operation under conditions acceptable to the worker. The strike is morally justified, then, if the workers are being treated as tools, or if the conditions of their service appear to them oppressive; but it is justified only on the assumption that there is no other method of redressing grievances. At its best the strike is a barbaric method necessary only because of a prevailing barbarism. If industry were in fact what it is in theory, an organised co-operation, and not in great part an anarchy of contending interests, there would be no need and no moral justification for strikes.

The strike is a barbaric method of asserting the rights or giving expression to the grievances of workers, but strike-breaking is much more barbaric. Superfically strike-breaking may seem to be only

the action of those who desire to serve when others refuse to serve. It is so presented to the imaginations of the " upper " classes and the Middle Classes Union. But clearly the duke who drives a train in order to save the community from the effects of a strike of railwaymen does so not because he has a passion to serve the public in the transport trade. He does so not in order to take the railwayman's place, but in order to compel the railwayman to come back to his place again. The clerks in city offices who propose to run the electric-light works during a strike of the E.T.U. do not propose to give up the office and take positions in the works. Indeed, neither the duke nor the clerk when he does the striker's job depends upon the wages which the strikers are offered. The main purpose of the action in strike-breaking is not service, but the control of service. The effect for which the strike-breakers work is not the comfort of the community they serve, but the discomfort of the strikers who refuse to serve.

The general and agreed refusal to serve, which is a strike, is not likely to occur unless the grievance is serious and all other methods of expressing it have failed. Even the most successful strike is a disagreeable experience for the strikers and an exceedingly dangerous episode for their leaders. But when a strike has occurred, strike-breaking should be impossible. The general sense of the community should revolt against it. Everyone, even the strikers, should admit that those who are not responsible for the political and economic situation should not suffer. Children and the sick and aged may be protected. But all adult men and women are in some way responsible for the

position against which the strikers protest, and they have no right to escape from the discomfort caused by the strike.

We have shown (1) that all service should be free, (2) that the workers have to contribute one definite function, distinct from administration, in industry, and (3) that their status as free co-operators in serving the public is acknowledged. In all this, however, the character of service remains fundamentally the same : it is mainly for the sake of the persons served. Under the necessary conditions of freedom, there are some occupations which ought to be done which do not directly promote the intellectual and emotional excellence of the person so occupied. If it is right for them to undertake these occupations, it must be because of the moral good of the community served. If, then, there are services which do *not* provide opportunity for the self-development of the worker, these services can be morally justified only on the ground of public need. But public need does not mean the need of persons other than the workers. The need, if it is genuinely a public need, is communal in the sense that without such services the community, of which the workers are parts, could not exist. Thus all services which are morally good are in some sense of advantage to the persons serving, though not always in their character as servants. It may be necessary to lose some advantages in order to gain others, for it is not possible to believe that every good act is necessarily to the advantage of the doer. It may be good to endure pain and death. The community which is served in industry will be discussed in greater detail below. Meantime it is enough to recognise that the

existence of that community is the moral justification for employments which are not all directly good for the persons employed. Theoretically, all members of a community should share in the necessary burden of a communal life ; but that is another problem. The point here is that some work is a burden and not directly a gain to the worker.

The justification for an occupation, which in part does not develop the worker, cannot be found in the fact that employers or shareholders derive private advantage from it. Even those simple-minded economists who think that private wealth is public gain can hardly maintain the moral right of the employer to self-sacrifice on the part of the worker. Where there is any sacrifice, it is generally agreed that it is morally justified only if it be for the sake of the community at large ; and employers have a right to expect it only in so far as they confess themselves to be servants of the public. That is to say, disagreeable or monotonous labour can be defended on the assumption that industry is a public service, but not on the assumption that it is a " private enterprise."

This principle was to be seen operating in practice during the war when in munition factories the workers were made conscious of the needs of the soldiers in the trenches. This was to bring the worker into closer touch with those who used his services. It was to correct by imagination the isolation into which the complexity of modern industry has plunged the worker. In earlier times, as it was remarked above, the servant in industry saw the actual user of his service. That is no longer common. We need, therefore, either new systems or a reorganisation of the present system, in order to

bring the workers into closer touch with the persons he serves. It is not simply a problem of the imagination, although, as the experience of the war showed, imaginative realisation of the social value of work done is morally important. The moral quality of an act depends very largely upon the consciousness of the agent, and therefore a widely spread consciousness that industry is in fact a public service might make industrial occupations more excellent morally. But the facts remain stubborn. The man who wears the boots is, indeed, served by the worker in a boot factory; but in fact those who own the factory derive much more service from the worker. No sane imagination would be able to avoid reckoning with this situation. For this reason it sounds fantastic to say that industry is a public service, or that the worker is a public servant. For this reason the status of the worker still seems to be less excellent than that of the soldier or the civil servant. And yet the moral ideal, working obscurely in legislation and in the new "social conscience," operates to make all thinking men admit that industrial service is as excellent as any other. The truth is that the dominant *motif* in industrial organisation is defective morally. The moral ideal, therefore, indicates that modifications in the organisation of industry are desirable from the point of view of the worker in his relation to the community. It is perceived that the existing system, although providing some public service, is not dominated by this purpose, and, in crises as well as in many corners, allows public service to be seriously curtailed. Restlessness in face of these facts is a sign of moral growth. But it does not imply blame for employers or shareholders, for what is felt to be needed is

not exhortation but reorganisation. The system by which boot-manufacture, for example, is dependent upon accumulations of capital and management by experts is in question. Does this system permit the growth of public service among the workers in industry? The workers' status depends upon that, and not upon themselves. The problem, in fact, of the relation of the workers to the public served is dependent upon the problem of the relation of *the organisers* of industry to the public. To this, therefore, we must now turn.

CHAPTER V

THE ORGANISERS

At the end of the eighteenth century, when modern Economics began, industrial organisation was in the hands of innumerable small "masters" who owned the capital with which they worked. They were both employers or organisers and owners. But now, although many such still remain, industry is dominated by larger organisations in which the owners of the capital employed do not directly organise its use. Thus the organiser, manager, or "business man" must be distinguished from the owner of industrial capital, although the old tradition makes the interests and the outlook of the manager very similar to those of the owner. The owner of capital will be discussed in a later chapter. Here the psychological outlook and the moral standards of the organiser of industry must be considered.

For the present purpose no distinction will be made between the organiser of workers in a factory, the employer properly so called, and the business man who is either purely commercial or financial. All such persons will be referred to here as organisers; and since it is more important to distinguish social functions than to classify persons, if any man is both owner and organiser, only the second element

in his activity will be at present considered. The employer, in one use of the term, is not necessarily the owner of capital, and therefore employers and employed cannot be used as equivalent to capital and labour. Again, the functions of one who directs labour differ from those of the salesman in commerce or the man who raises the capital, but here it will be assumed that all these functions may be classed together. The principle of such classification is the presence of directing mental energy in industry. These are men who say *how* industrial civilisation shall be shaped into the forms desired by capital-owners and consumers. They are the " brains " of industry, but they are also instruments or agents of those who say *what* industry shall produce.

Psychological Characteristics.

The psychological characteristics of the organiser may be discovered in (1) the speeches of chairmen of companies, (2) the autobiographies of successful business men, and (3) the popular or journalistic phrases in regard to " business." But in addition it is worth noting that such psychological characteristics have a peculiar status in the traditional economics. Mill and Ricardo had the business man's outlook so completely and so unconsciously that many of the underlying assumptions of their economic theory can be traced to that peculiar psychological type. The other economists of the old tradition accepted the business man's account of industry, and even Marx took over assumptions without noticing that they were the prejudices of his opponents. This tradition has continued, and although it has led to precision and aloofness in the

analysis of exchange, both very excellent in a pure science, the tendency to read labour problems or problems of taste and enjoyment in the terms of an exchange numerically measurable has made economic science unnecessarily narrow, and has seriously obstructed the economic art.

For example, the emphasis upon the price rather than the social utility or the beauty of the products of industry, the tendency to regard government as an obstacle and the peculiar use of the word "interference," the concentration upon means of producing rather than upon what to produce—all these are quite natural results of the psychological attitude of the organisers of industry in the nineteenth century; but they are by no means necessary tendencies in any person who studies industry. Ruskin and Morris took a very different view of industry from that implied in the Economists' writings; and Ruskin, at least, tried to work out a rational alternative to the economics of the business man. Again, suppose that anyone in the social *milieu* of the factory workers, or anyone among the land-owning gentry, had tried to analyse industry, it can hardly be supposed that the assumptions of the traditional economics would have been used by him.

This is not, of course, an argument against such economic theory as that of Mill and Ricardo. It may be a perfectly correct analysis of facts; and probably the business man understood more about industry than the worker, the landowner, or the artist. It was the special interest of the organiser to work out a theory of what he was doing in order to do it better. Nevertheless, the result was not a pure science by an entirely unprejudiced mind,

but an analysis which assumes the prejudices and implies the psychological limitations as well as the excellences of the business man. The writer on supply and demand and other such economic facts is seldom aware of the very peculiar complex of ideas and emotions which he absorbs from the classical economists or derives from the accepted outlook of business men. Thus even Professor Marshall, in his later work, *Business Enterprise*, accepts the admiration of business men for the peculiar system which is convenient for their type of energy.

The psychological characteristics of the organisers may be summarised as follows. They are much more isolated and individual in their outlook than are working men or owners of capital or consumers. Marshall notes that there is no class or caste of business men ; for although one may place many individuals in that classification, there is hardly any group-mind or collective outlook of business men as such.[1] It is not denied that there is a sort of moral standard among such men, which will be discussed later ; but the typical organiser of industry tends to regard himself as the source or pivot of what occurs in his particular business. This individualism was based upon observed fact in the early days of the industrial era. As Leslie Stephen pointed out, the most notable men of the time were men who owed nothing to inherited wealth or the traditional education. They were felt to be "self-made." Indeed, in the early nineteenth century, not only in the new industry but in literature, self-made men seemed to be the most remarkable, and

[1] *Principles of Economics*, p. 299 : "The absence of a specific caste is remarkable." Cf. Appendix II, p. 268: The Need for a Psychology of Business Men.

the poet Burns struck the imagination of the time almost as much as did men like Arkwright and Stephenson. The early nineteenth century in England was the paradise of the self-made man. His excellence and the crudity of his civilisation have left their mark upon industry.

The actual independence of tradition in remarkable individuals was perhaps the reason for the Individualism in psychology and ethics of British thinkers during the nineteenth century; but the theory of Individualism supported and extended the already existing tendency to think of and to treat the human being as an isolated atom bound to society only by the slightest of connections. As it has been pointed out above, the economists, adopting the attitude of the business man, naturally assumed individualism in psychology and ethics.

The organiser of industry to-day still feels himself to be an individual source of energy. He is not in close physical and psychical proximity to others performing the same function, as the worker in a factory is. The business man is continually asserting or assuming that the profits which accrue from his business are due to his efforts, as though the social structure and the innumerable minds which have devised the very methods he uses were not even more truly the causes of those profits. Indeed, so deep-rooted is the individualism of the organiser or business man, confirmed as it is by the echo of it in the traditional economics, that it is often difficult to show economists or organisers that this individualism is not a necessary assumption, but the expression of a psychological "complex" peculiar to those who organise modern industry.

One of the most absurd results of this complex

is the assumption that the price of an article can be divided into portions due to the many makers of it and the organisers of its production. But clearly, if many men push the same stone, it is absurd to treat the joint push as divisible into units, each of which represents one individual push. All the products of industry are the results of collective action by minds and bodies in contact, and it is a very misleading abstraction to treat what is collective as a collection of units. The action of minds and bodies in contact is continuous, not contiguous ; there is no saying where one ends and the other begins. Therefore, if the business man feels that he is isolated or individual in the traditional sense, he is expressing a psychological complex, and is not aware of the obvious fact. The individualism of the organiser is to be seen in the autobiographies of the successful. There is a bland unconsciousness of the conditions and the work of others which have gone to the make of that success. It is not that such facts are assumed to be known, for the gentle flow of admiration for himself which is typical of the business man's autobiography assumes only obstacles outside the admirable centre. Police are useful for keeping the peace while the business man is being successful ; the machinery of credit supports and even forestalls many of his efforts ; the majority of men are attending to quite other matters while he goes off with their coats ; but no autobiography would refer to such causes of success, chiefly because if they are recognised as causes, the moral of the story, which is "go thou and do likewise," could not be drawn.

It is not implied that this simple individualism is necessarily pernicious, for perhaps it is psycho-

logically necessary for that energy and originality which are also typical of the organisers of industry. Every individual is in some way original. There are no duplicate men. Neither drill nor machines can produce "Robots" in real life. But in some the break-away from a current type, the separateness of the source of energy, is more obvious than in others, and in quite general terms the organiser of industry is of that kind. Of course, many are traditionalists in organising factories, commerce, or finance, and much of the daily practice of the system is merely imitative; but what is typical is the originality which inspires the system and is derived from the natural organiser.

It follows from the individualistic outlook of the organiser that social organisation is felt as a constraint or limitation. Therefore the organiser and his echo the economist speak of "interference" when they mean regulation. What is not his own will is naturally regarded by the organiser of industry as an obstacle to be overcome. Hence the psychological tendency to regard his own work as "enterprise" and social regulation as "interference." He feels his own energy to be progressive, and easily imagines that his function is that of striking out on new lines.

This too is traditional, and has often been traced to the conditions prevailing in the early industrial era. Governmental regulation at that time was largely the remnant of a much earlier stage of civilisation. Feudal rights were limitations to the new enterprise, for they had grown up as the shell of a much earlier form of enterprise. Hence naturally, as all economists explain, the old regulations had to be removed before industry could develop.

The industrial organisers thus learnt by bitter experience to regard regulations as obstacles to enterprise.

The complex thus formed was one of the chief psychological sources of the doctrine and policy of *laissez-faire*. The mind of the time, dominated by the new industry and its economic gospel, learnt to dread regulation as an inherited evil. And when the new regulation of Factory Acts was advocated, its opponents for a time could rely upon the prevalence of the " interference " complex. This complex may have been the source of the idea of a divine hand which " naturally " guided in the right direction the conflicting appetites of those who were seeking their own interests, for it was certainly assumed that the less regulation there was the more likely it was that industry would flourish. But in any case it was typical of the new manufacturers that they should believe their own energy to be inevitably beneficent. What was thus naturally tending to social betterment was felt to be unjustly hampered if trade unions interfered with the separation of workers, or laws interfered with the natural treatment of labour. It remains to this day typical of the business man that he has the gravest suspicion of government, if not actual resentment at new regulations. The movement of social organisation is viewed by him as something alien to his own life and energy, and it can hardly be necessary to show that this is not an exact reading of facts, but is the result of the " interference " complex.

A further significant psychological fact is that the organiser or manager naturally tends to regard the customary as the eternal. To the administrator, who knows the difficulty of carrying on any

system whatever, it is annoying to have the whole basis of the system challenged. Changes of detail he can imagine and even welcome, but a revolutionary change is for him either unthinkable or pernicious. Hence among the classical economists, who adopt the organiser's point of view, the tendency is to forget that the industrial system is only a very short episode which may at any time come to an end.[1] This peculiarity is not confined to the organisers of industry, for it is to be found among official classes in every sphere of life. Civil servants and parsons as well as some schoolmasters abhor any radical changes, and can hardly be brought to treat those who suggest them as otherwise than mad. This is not a useless psychological trait. The presumption is always in favour of a system which is actually at work, so long as it "works" at all; and it cannot be denied that the industrial system does supply goods and services to great numbers. It is untrue to say that the existing system has ceased to supply goods and services, and the organiser naturally regards a fundamental discontent with what it does supply as unintelligible; for the idea that industrial civilisation is on the wrong lines would imply that its organisers were guiding it in the wrong direction. The fundamental soundness or correctness of the method, in spite of minor evils, is assumed in the psychological outlook of business men.

A fourth psychological characteristic of the organiser is *masterfulness* in regard to other men. He feels himself at his best at giving orders, and he knows that others obey. This is the source,

[1] Veblen makes a good case against the economists on this point in *The Place of Science in Modern Life*.

perhaps, of the metaphor which calls them "captains of industry," which in the days when the employer was both owner of capital and commander of his men may have been significant, but is hardly applicable now to the financier and the managing director. In contrast with what is here called masterfulness, the worker tends to be subservient, and the owner of capital plaintive or petulant. The organiser or business man tends, as the idiom has it, to "lay down the law." He "knows all about it," and is very conscious of being "practical." The autobiographies of the successful are full of the most ingenuous self-praise, turning very largely on their supposed skill in "getting at" other men. For example, the owner of the *Saturday Evening Post* puts upon record his "push" even in the early days when he supplied water to thirsty people descending from tramcars.

It is sometimes said that there are two types of men, the masterful and the subservient, the leader and the follower; but the classification of all men into types is unnecessary here. What is thus called the masterful or the "leader" has the characteristics which are here said to belong to the business man. The psychological make-up of the type is this: a certain obtuseness to the feelings and ideas of others combined with vigour of will and a keen, if narrow, intelligence, a tendency to regard others as instruments, not co-operators, and thus to use them as instruments. The tendency is, of course, to be found among husbands in regard to their wives, or among the chief civil servants in regard to their subordinates. But it is very prominent in modern industry. The increase and elaboration of machinery and the domination of mechanical con-

ceptions in the mind of the time naturally lead the employer who is no longer personally in touch with the workers to treat them as parts of his "plant" or machinery. The improvement of automatic machines during the war made personal differences among the workers less important in productive processes, but the organiser became more important. The result was an increase in the masterfulness of the employer and in his tendency to regard industry as merely a question of tools outside his own special province of choice and direction. All ability to organise or command makes the will of the organiser take the place of the will of those organised, especially in military organisation. The supersession of the will of others, therefore, is one of the psychological traits incidental to the function of organising industry.

Moral Standards.

From this point we may start in discussing the place and function of the business man in society. Clearly, industrial organisation does give scope for the vigorous development of masterfulness in at least a few men, and this is morally good, (1) because it implies a development of capacities and character in those few, and also (2) because it supplies in society an element of adventure and resourcefulness. Of course there is moral evil in the over-riding of other men and the violation of the Kantian dictum that all men are ends and no man is only a means. But that must be discussed later. First, it must be recognised that, other things being equal, keen intelligence and forceful will applied even to small purposes are good, and

that opportunities for the development of such characteristics are good. Modern industry is thus morally justified in so far as it gives place to these abilities which were in early times and are in primitive races much curtailed. It is often said that the warrior and *condottiere* of earlier times is the business man of to-day ; and this is not necessarily abuse of the business man, but it does imply that industry is an improvement on war.

Further, the larger scale of modern businesses gives greater scope to certain types of intelligence and character. Outside the industrial sphere, in that of government, the scale has greatly increased in recent times, and the great States of our own day demand a more vigorous and perhaps a more complex type of statesmanship. Thus in international affairs it has been found that the statesmen of small countries are less able than those of great States to administer or direct large-scale operations. Similarly, in industry the working employer of a small engineering shop has a very restricted range of moral development as compared with the managing director of a great shipping company. That industry provides such opportunity is morally good from the point of view of those whose abilities require such opportunity, and it is also good for society at large that large-scale ability should be developed. The moral gain is similar to that which usually follows the change from village gossip to city politics. The growth of the industrial system, then, whatever its defects, has had some consequences which are morally excellent, for morality is not confined to the simple and the obvious, but can flourish also in complicated transactions and far-reaching schemes. If moral skill grows

with opportunity, the new forms of industrial organisation should give rise to a new greatness of character.

Undoubtedly, many of the most powerful organisers and financiers are driven, not by the mere thirst for wealth or power, but by a native impulse to exercise their abilities. Anyone watching a great financier pressing his points on a committee and snatching at new openings would be impressed by the imperious energy which seems to drive him.[1] He feels his ability to deal with the situation and he enjoys his skill, just as a craftsman or a sportsman may. There is far less of "economic motive" than of *horme* or impulse in the action of the great financier, and his activities are the natural outcome of his psychological characteristics. It is therefore fantastic psychology and narrow ethics to treat the organiser, business man, and financier as embodiments of a lust for gain, and it is still narrower ethics to condemn the whole class. Even the manipulation of the feebler wills or more limited intelligences of other men may be an occasion for greatness which is genuinely moral, and only the absurd tradition which identifies the good man with the fool implies the contrary.

There are, however, obvious moral dangers in masterfulness. It easily becomes tyranny; but this is not peculiar to industry. Even in the simplest domestic life the lust for domination of husband over wife or parents over children is to be found. In industry, because the scale is greater, the evil is more widespread. The exercise of the abilities of the organiser may involve the destruc-

[1] Personal observation is here used, but it would obviously be improper to give the names of the persons observed or the occasions.

tion or the limitation of the abilities of others; and for society as a whole it is no compensation for a degraded populace if a few brilliant men have full scope. This is the condemnation of the Renaissance ideal of the great man; for first, the few great men cannot lift the heavy weight of the surrounding incompetence which their own masterfulness or vertu has produced; and, secondly, not even the few can rise to the greatest height of which they are capable if the many, with whom they are inevitably in contact, have nothing to contribute to their nobler life. Industry has inherited some of the moral defects of the eighteenth century, when art and government had become the enclosures of a cultured caste and the majority were being gradually reduced to the status of beasts or tools. It is therefore morally necessary for the organiser to beware lest his own abundant vitality be an obstacle to others. That is the danger where the natural or born organiser is concerned. The moral danger to society is even greater where the man who has the status of organiser has merely inherited it and is incompetent.

We may now consider the social elements of the moral standard by which organisers of industry may be judged, and these fall into two divisions in reference (1) to their relation to their principals, generally the owners of capital, and (2) to their relation to the community at large. That is to say, their social functions have two aspects, (1) in so far as they are agents, and (2) in so far as they are co-operators in production.

With regard to the organiser as agent, Company laws provide some general moral rules. The directors of a public Company must register the Company,

provide accounts for the shareholders, and give a periodical report on the business. Company law, in fact, protects the owner of capital against his chief agents ; and it has been found important to increase such regulations, not because directors are rogues, but because the difficulties in the way of a due consideration of the shareholders' interests have much increased in recent times. Thus Pigou writes [1] : " It is often to the interest and it is usually in the power of the professionals (financiers) by the spread of false information and in other ways deliberately to prevent the forecasts of their untutored colleagues."

The occasional lapse of a particular director or organiser, however, is not so important morally as the general tendency in modern conditions to separate the capital-owner entirely from his supposed agent, so that the agent becomes in fact able to use the capital concerned without reference to and perhaps without any consciousness of the owner. Organisers in this sense are financiers, who have control of " business " capital and manipulate values in accordance with hopes and fears. They are the real masters of modern industry. " The general body of owners are reduced to the practical status of pensioners dependent on the discretion of the great holders of immaterial wealth ; the general body of business men are similarly disfranchised in point of business initiative and reduced to a bureaucratic hierarchy under the same guidance ;

[1] *Economics of Welfare*, p. 134. The reform or improvement of Company Law is now generally felt to be a moral need. It has been discussed by three Committees, Lord Davey's (1895), Lord Loreburn's (1905), and Lord Wrenbury's (1918). New defects in Company Law have appeared since 1918. (*The Times*, October 2, 1924. Report of the Meeting of the Law Society.)

and the rest, the populace, is very difficult to bring into the schedule except as raw material of industry." [1]

The interests of the director or organiser of an enterprise may be different from and even opposed to those of the owners of the capital employed. Thus one of the Presidents of the Great Northern Railways in the United States, giving evidence before the Industrial Commission, showed that for twenty-five years the two companies concerned never received reasonable earnings on their invested capital. It was not in his evidence, but it was generally known, that he himself " had by thrift and management during those years, increased his private possessions from twenty dollars to something variously estimated at one hundred and fifty or two hundred million dollars, while his two chief associates in this adventure had retired from the management on a similarly comfortable footing—so notably comfortable, indeed, as to have merited a couple of very decent peerages under the British Crown." [2] Again, in England we have the instance of a company whose directors took pride in their report that the dividends had not been increased during the war ; the working expenses, however, had increased, and among these was the item of an increase from £16,000 to £60,000 for directors' fees.

It is not our concern here to discuss what directors are worth, or how their value should be estimated. What does concern us is the tendency for directors to aim at other interests than those of the capital-owners whose agents they are. Now, the financier who devises the policy for an enterprise does not

[1] Veblen, *Theory of Business Enterprise*, p. 267.
[2] Veblen, *Engineers and the Price System.*

think mainly of the utility of the services provided, or even of the security of the property used, but of the momentary capital value of the shares. This capital value is very largely due to imagined or estimated earning power, and it is to the advantage of the financier that fluctuations should take place in the estimate. It is always possible by skilful statements or by subtle manipulation to change public opinion as to value of shares ; and, of course, this public opinion, and not an exact estimate of the value of " plant," is the real basis for the market value of shares.

As Veblen puts it : " It is to the interest of the community at large that the enterprise should be so managed as to give the best and largest possible output of goods or services, whereas the interest of the corporation as a going concern is that it be managed with a view to maintaining its efficiency and selling as large an output as may be at the best price obtainable in the long run ; but the interest of the managers and of the owners for the time being is so to manage the enterprise as to enable them to buy it up or sell out as expeditiously and as advantageously as may be." [1] This implies the common interest of the transient shareholder, who is thus a financier, and the class of company promoters, but we shall speak later of the shareholder. The main point here is the tendency in modern circumstances for the organiser of the finance of an enterprise to have interests opposed to those of the real owners of the plant. Great fortunes are made by directors, often not through the service they organise or its price, but because of the vast difference there is between the actual

[1] Veblen, *Theory of Business Enterprise*, p. 157.

value of the enterprise as a going concern and the speculative value based upon fantastic expectations.

There is a wide field for the practice of morality here. The old theory of contending interests is quite inadequate. It is impossible to maintain that if each person concerned thinks only of his own interest, everything will come right by the agency of some "hidden hand." It is not even necessary to suppose that organisers are moved by interest or by the *auri sacra fames*. Impulse plays a greater part than greed. Skill in manipulating a market has an attractiveness of its own, and there are some great organisers who delight in the work of imagination of which modern finance largely consists. They are not criminals, but their abilities may certainly be very dangerous. The practical problem of morality, therefore, is to discover some methods of organisation which may protect society against such dangers.

Greater publicity is sometimes said to be the chief means for protecting society against the unconscious impulses or the occasional rapacity of financiers and other business men; but the general public would hardly be able to understand reports and accounts of financial operations even if they were more fully published than they are now. The general principle is correct that whoever desires and is able to understand finance should be able to discover the relevant facts in regard to the manipulation of stocks and shares, dividends and the rest, and therefore one of the immediate needs for making morality effective in this sphere is a revision of the Companies Acts. But besides that, it may be suggested that responsible bodies such as the Committee of the Stock Exchange, or reformed and enlightened

Chambers of Commerce, might exercise a greater supervision over the general conditions of finance and business organisation.

If we turn from finance to that function of the organisers which is, properly speaking, the function of "employers," similar problems appear. The use of plant or machinery, the taking on and dismissing of labour, purchase of material and sale of products, are all social services. The employer who performs these functions has duties to perform to the owners of the capital employed, to the workers, and to the public at large. The chief moral problem in this matter arises from the fact that the employer may practise what has been called "sabotage" in order to maintain the rate of profit. For example, he may dismiss workers and limit output in order to keep prices high; but that may be doing his duty to the capital-owners at the cost of omitting his duties to the workers and the public.

So long as it is assumed that the only aim or the dominant motive of business organisation ought to be to maintain or increase the rate of interest on the capital employed, so long of course it must be believed that the employer is morally justified in not thinking of the public or the workers concerned. But this is clearly unwarrantable. Some economists have assumed, for the sake of simplicity, that the making of profit is the only fact they need consider in this matter, and such abstract thinking is probably justifiable in a science. But other economists have carelessly allowed this abstraction to be taken not merely as full account of what occurs, but as a statement of what morally ought to occur. The problem, however, is not one of economics but of ethics. The functions of the

employer certainly affect the public and the workers, and he is therefore morally bound to consider their interests.

It does not follow that there should be no restriction of output by employers. In the present organisation of industry there is perhaps no other method of maintaining the supply of articles at a fair level. For example, the Brazilian Government restricts the output of coffee, and the result is a steadier supply of coffee in unfruitful years, and the Rubber Growers' Association in 1921 desired a restriction on rubber production in order to keep some estates alive. It may therefore be an advantage to the public in some cases if the full power to produce is not used, and it is foolish to assume that every enterprise should always produce as much as it can, unless there is some method of preventing a glut and a "slump," in which overproduction is followed by the disappearance of the article concerned. Similarly, it does not follow from the fact that the workers ought to be considered that no workers ought to be dismissed. There should be periods of "standing off" even for the sake of the workers themselves, assuming, of course, that servants of the public are not starved while they are "standing by" for further service. As a matter of fact, employers do not consider only interest on capital. In any respectable firm there will be found some workers whom it does not "pay" to retain, still retained because of moral considerations; and in every trade some consideration is given to the public need for the services supplied. It cannot be maintained that the organisation of industry and business is immoral or even non-moral. Indeed, as it has been shown in the chapter on the

workers, there is now an elaborate organisation, at least in British industry, by which the treatment of workers by business men is prevented from becoming a mere manipulation of tools. The workers' organisations have secured Agreements by which many of the minor functions of the organiser or employer are limited or shared with the workers themselves. Thus the employer is part of a system of administration and not the whole.

The employment of workers, their support in unemployment, their dismissal, promotion, choice of foremen, sphere of foremen's action, discipline in the shops, changes of practice, methods of payment—all these are matters in which industry has been moralised by giving scope to the workers' own will.[1] It remains true, of course, even in British industry, and still more in that of the United States, that the employer is the ultimate authority and the real source of all larger rules of organisation. The industrial system is not, in fact, democratic, at any rate according to the traditional view of democracy.[2] And in so far as the employer has the real power over the lives and abilities of the workers, he is morally responsible for the effect upon them of the organisation he creates or maintains.[3] This has never been entirely forgotten in practice, although economic theory takes no account of it; but in the vast enterprises of modern times it is practically impossible for the organiser to

[1] Goodrich, *Frontier of Control, a Study of British Workshop Politics*, 1920.

[2] Autocracy tempered by insurgence is the situation as described by R. H. Tawney.

[3] The Institute of Industrial Administration in London with its Journal concentrates upon securing competence among the minor organisers of industry.

know or even to think of the thousands of workers who are under his control. Thus here also, as in the case of the shareholders' responsibilities, new conditions have made the old moral tradition difficult or impossible to apply. The employer in a large firm cannot give that attention to his workers which the old small-scale manufacture made possible. This old function of the organiser, then, has given rise in modern circumstances to the employment manager and welfare work. These and Works Committees are an attempt to solve the problem. Attention to the interests of the workers concerned is thus maintained by the modern employer with great difficulty. It is, however, generally maintained.

Similarly in regard to public need, the organiser or business man is not always dominated by mere desire for gain, either for himself or for the owners of the capital employed. As Veblen, who is a hostile witness, has said: "Instances are not frequent, but they are not altogether exceptional, where a prosperous captain of industry will go out of his way to heighten the serviceability of his industry even to a degree which is of doubtful pecuniary advantage for himself. Such aberrations are, of course, not large; and if they are persisted in to any very appreciable extent the result is, of course, disastrous to the enterprise. The enterprise in such a case falls out of the category of business management and falls under the imputation of philanthropy." [1] Like other men, the business man has the instinct of workmanship. "Motives of this kind detract from business efficiency," says Veblen; but in this sense "business" is mere money-getting.

[1] Veblen, *Theory of Business Enterprise*, p. 42 note.

The instinct of "workmanlike integrity" will "discountenance gain that is got at an undue cost to others or without rendering some colourable equivalent." And it cannot be fairly said that modern industrial practice is reckless. Men prefer to use wool rather than shoddy; they prefer to avoid accidents to their workpeople or injury to their customers—not merely because it may possibly "pay" if workers and customers survive.

Nevertheless, there is a tendency for the employer or organiser to consider only profits on capital or to overrate their importance. The traditional economics is partly to blame, in so far as it includes uncriticised ethical assumptions. The test of the rate of profit is easy to apply. It has become the only test of success of an enterprise, for the excellence of the workers or the satisfaction of the public cannot be easily estimated; and even when "good will" is given a price in the accounts of a firm, it is recognised that this is somewhat fantastic. The moral standard, however, is clear enough. An enterprise is not merely an instrument of interest for capital-owners, it is also an opportunity for the moral and other development of workers and a service of the public. This moral standard actually operates.[1] It needs only to be more clearly conceived and more precisely expressed in order to be extended. Even now, if the restriction of output by employers or organisers raises the price too obviously, the consumers occasionally protect themselves by ceasing to purchase, as happened in the United States in 1920 when clothing became very

[1] In one of George Calderon's plays the crisis turns on the craftsman's enthusiasm in an engineer, conflicting with the desire for gain both among the managers of a firm and among its workers.

expensive and the fashion of wearing overalls was introduced. There is, therefore, some practical check upon forgetfulness of public need; and if consumers were more conscious and more active in fulfilling their social function, there would be much greater security against exploitation of the market. But there will always remain a moral obligation upon the sellers not to forget that their means of livelihood is essentially a public service.

One of the chief functions of the organiser in regard to the public served is salesmanship, and of this the chief modern aspect is advertisement. But this is generally recognised to raise important questions of morality, and many books have been written in the United States on the principles or the practice of advertisement since that country more than any other suffers from or enjoys this feature of modern industry.

The psychology of advertising has been so often discussed that it need not be given in detail here. All kinds of amusing tricks have been discovered for attracting or diverting attention, for assisting memory or for creating abnormal complexes, the result being that a certain article or a certain offer of service is used or at least paid for. The art lends itself to extension by the methods of experimental psychology. Assuming that most minds are almost if not quite empty, much can be done to fill them with specially chosen facts or fictions. The walls of houses, the sides of roads, have never been decorated in any earlier civilisation as they are now; and periodical prints have provided a new field for psychological experiment under the dominion of salesmanship.

The moral problems of advertising are best

understood by reference to the purposes aimed at. The advertiser is (1) educating the public by increasing knowledge of available goods and services, or making taste more varied ; and he is (2) diverting taste from one article or service to another, or maintaining one enterprise against another, in competition. Obviously, if the public are deceived or their tastes degraded, the advertisement by which this is done is morally wrong. Again, if in competition there is fraudulent misrepresentation of rivals (such as actually occurred in a famous case by the manufacture of false machines), the advertisement is morally wrong. In any case, the extra cost of the article, to which advertisement sometimes adds as much as 90 per cent. of the total cost, introduces moral problems, for it is overweighting the end with the means to make the public pay ninepence for knowing of the existence of an article worth one penny.

However, the possibility of fraud both as against the consumer and as against trade rivals is sufficiently clear. It is provided for in civil law. The more subtle problem of advertising has to do with its general effect upon the standard of life or civilisation. Clearly many new goods and services are thus introduced. The consumer, as will be pointed out later, is normally too conservative and therefore uncivilised. Taste and choice are hardly developed, and as a result of large-scale production the industrial era has conspicuously failed in the fine arts and in the graces of life. Advertisement may therefore be an instrument of civilisation if it is the means of breaking the traditional barbarism of clothing, food, houses, streets, and enjoyments. It is an advantage at least to have many different

possibilities put forward ; it may even be an advantage if the dull-witted consumer is impelled to use some deliberation in choice. Thus, in spite of the preoccupation with profits and prices, the advertiser may assist in civilising the community if he is even partially affected by some standard of beauty or utility. To increase public knowledge of what is available or to improve public taste is a most important social service. The intellects and emotions of men in society may thus be enlarged.

But there are moral dangers in the use of this service. The uneducated advertiser, or the advertiser who cares only for profits on sales, may seriously degrade a people or the whole of an epoch. Apart from fraud, patent medicines which are deleterious, which diminish vitality or deflect natural tendencies, may be serious dangers to civilisation ; and all such disservices become more dangerous through the added disservice of skilled advertising. There is much writing on *how* to advertise according to psychological rules ; there is very little on *what* to advertise according to moral principles. We need not emphasise the fact that evil customs are maintained and developed by advertisement, for that is obvious. The further and more subtle problem is the use of advertisement for what is not criminal, but is degrading or depressing or barbaric or simply unintelligent. The moral standard which is being referred to in this book is not merely an avoidance of crime, but a full and free development of the abilities of all men in society. Uneducated advertisement may impede or prevent this development.

A minor problem is the method of advertising. In some countries, as in England, it is against the law to deface natural beauty for the sake of adver-

tising. Here is a subtle expression of a moral standard of civilisation correcting some of the crudities of economic life. The towns of our time are so ugly already that most advertisement improves rather than defaces them; but it is felt that the art of salesmanship should not be practised where nature has so far survived the industrial era. There are, of course, difficulties in interpreting the law, for the magistrates' bench may not be agreed upon what constitutes "natural beauty," and even if the countryside is clearly defaced it may be difficult to proceed against the advertiser.[1] But in such problems of detail is the life of a genuine morality.

The whole field of moral problems to be faced by organisers of industry has been the source of the recent movement for the formation of Rotary Clubs. The movement had its origin in the United States, and preserves in other countries some characteristic Americanisms. The business man in the United States takes business seriously, almost as a religion; he is also much inclined to "uplift." In the United States business men form a caste which is more self-conscious than in other lands, and there is a general tendency to rhetoric. With this goes a genuine idealism and a desire to make moral principles practical. The result is the formation of small groups of the better type of business man who agree to view their activities as public service. The principle that industry is in some sense a public service is thus admitted, but its meaning

[1] The British Act makes the control of advertising largely a matter of local government, and therefore dependent upon the public taste or stage of civilisation in those neighbourhoods which are in danger of being defaced.

and consequences are obscured by quite irrelevant practices.

For example, Rotary Clubs have meetings at which, in the name of a public service, the members subscribe to charitable funds. Such members appear to believe that their subscriptions out of the profits of their trade constitute their means of serving the community, but this is entirely to misconstrue the moral quality of industrial activities. Organisers of industry and business men must be governed by the desire to serve the public *in their own business*; no charitable contributions affect the situation. The methods and aims of profit-making are the real moral problems, and unless Rotary Clubs directly improve these by reference to a moral standard, the essentials of the situation remain unchanged. Perhaps, however, in some centres groups of business men are genuinely thinking out the application of the principle of public service to industrial organisation.[1]

The business man, financier, employer, or organiser of industry, is serving the public by setting in order and maintaining in activity the means for the supply of goods and services. It makes no difference to this function whether he has his own business or is the agent of capital-owners. The business man may receive payment for his services either by profits or by a fee or salary as director or manager. In any case, his payment comes directly or indirectly from the public served; and therefore, if for no other reason, he is morally bound to pay due attention to public need, and to regard the consumer

[1] At the end of the war Quaker employers and some others in England met in consultation with a view to moralising industry, but these attempts have not so far affected even the industrial code, much less industrial practice.

not as a victim, but as a master is regarded by a good servant. An intelligent business man is generally aware that the consumers at large are foolish, sheeplike, unimaginative, and often barbaric in their appetites. He is not bound to be always improving them, nor is he, on any sane principles, bound to do them good against their will. If the consumer *will* have shoddy, there is no moral reason against supplying it, for the consumer must bear part of the responsibility for his condition. But, on the other hand, the organiser of industry must draw the line somewhere. There are some goods and services which it is morally wrong to supply, as indeed is declared by law. There are others which no high-principled business man would care to supply, although they are not necessarily degrading.

The moral obligation of the employer or business man to the public at large increases with the increase of power which large-scale industry gives him. But, unfortunately, there are no tests of competence applied to those who take up the function of organising. The annual reports of the Bankruptcy Department show the most glaring cases of incompetence from which the public suffers[1]; but although we demand certificates of competence from masters of ships and mines inspectors, we require none from employers. The principle is everywhere accepted that the organiser is morally responsible, since rewards and honours are given for success in supplying the public with services. But it is not yet practically enforced in regard to waste of labour,

[1] In every annual report there are cases quoted of men raising capital and starting an enterprise with absolutely no knowledge or competence in industrial affairs. The risk run by the public and the workers is not guarded against by law.

material, power, or capital resources, which is not unknown in modern industry. Quite apart from injury to workers, the public suffers when power is held by careless or incompetent employers, and Common Law takes cognisance of this new moral problem. Thus Sir F. Pollock writes : " The knowledge and resources of a reasonable man are far greater in the twentieth than in the sixteenth or eighteenth century, and accordingly much more is required of him. A defendant must clear himself by showing, not that he acted to the best of his own judgment or with a degree of prudence that would have been sufficient in the Middle Ages, but that his action was such as is to be expected here and now from a man competent so far as any special competence was required in the business he was about, and otherwise not below the general standard of a capable citizen's information, intelligence, and caution. A plaintiff, on the other hand, is not free to neglect obvious opportunities of avoiding harm, though the defendant's negligence may have put him in danger in the first instance. . . . This is, broadly stated, the doctrine of contributory negligence.

" Even more remarkable is the formation, dating from less than forty years ago (though one or two eminent judges threw out hints of it earlier), of a rule or body of rules demanding a special and intensified caution from the occupiers of what we call, for this purpose, fixed property. . . . I have ventured to group these rules, which are still increasing in importance, under the rubric of ' Duties of Insuring Safety.' The justification of their existence lies not in any ancient maxims or forms of pleading, but in the intrinsic and indefeasible

competence of the law to stand in the forefront of social morality. We have powers of controlling the material world, and holding its various energies ready to be directed to our ends, which were wholly unknown to our forefathers. With these powers have come risks which were equally unknown to them. . . .

"Responsibility to one's neighbour increases in proportion as one's undertaking involves elements of common danger; and there comes a point of risk at which nothing short of 'consummate care' will serve, and no prudence is allowed to count as such in law which has not proved sufficient to avert disaster in fact." [1]

Apply such principles to coal-mining, engineering, or cotton trade, and even more to the clothing trades, and it will be seen that the moral standard of responsibility to the public on the part of employers has not yet become effectual.

For expressing this view of the moral standard applicable to business it is usual to say that business ought to be professionalised. As the surgeon or physician is upheld in his service of the public by professional honour, so the employer or organiser of industry ought to be.[2] In the case of the medical profession the moral standard is not simply discovered within the conscience of the medical man, but is also embodied in rules applied by a Society with the special support of the State; so, it is argued, it might be in business. The professional man makes his living out of his profession, but he does not act and is not supposed to act on what

[1] Sir F. Pollock, *Expansion of the Common Law. The Law of Reason*, pp. 124 *seq.*

[2] Particularly in R. H. Tawney's *Acquisitive Society*.

are called purely economic motives: for he considers also (*a*) the standard of workmanship, and (*b*) the public need. A profession, therefore, is a social function organised by those who belong to it for (*a*) maintaining a standard of craftsmanship, (*b*) supplying public need, and (*c*) securing a due payment for the members of the profession. It unites the ancient gild with the modern trade union.[1]

As Macgregor writes: "There is a critique of industry based on its motives and standards, and it becomes explicit in the now frequently expressed idea that industry should be conducted like a profession. Of course this reflects, as it is meant to reflect, on the prestige and dignity of modern industry. The general level of social morality, it is implied, is lower than average in that great occupation. Yet it is the greatest field of life and character and work. It ought to rank among the highest and most honourable of human activities."[2] The problem is clearly one of morals, but that does not mean that it is a case for preaching. The system of organisation of industrial services must be based upon a new principle. In actual practice the administrators or organisers of industry must act as servants of the public. That is what is meant

[1] "The spirit and method of the craft, banished from industry, finds a more permanent home in the professions. Here still persist the long apprenticeship, the distinctive training, the small scale unit of employment and the intrinsic—as distinct from the economic—interest alike in the process and the product of the work" (R. H. MacIver, "Social Significance of Professional Ethics," *Annals of American Society for Political Science*, May 1922). The character of the moral standard in a profession is discerned in Durkheim's *Division du Travail Social.*

[2] D. H. Macgregor, "Motives and Standards in Industry," *Economic Journal*, March 1923.

by the new moral standard which advocates professional honour as the ideal in industry. But equally it is implied that this action as servants of the public must be secured by the servants themselves. No Government, no State regulation, can make industrial administration into a professional public service, for the profession itself must be powerful enough to enforce its own code of morality.

"Making a profession of industry means organising the opinion of an industry, through its various associations, so as to create effective censure upon them." [1] This is the formation of an organised mind or will which makes a community. We conclude, therefore, that the moral standards at present operative in the development of the work of the organisers of industry imply the gradual formation of the consciousness of an economic community. The various functions, then, performed in the manufacture and sale and purchase of goods would be felt to be integral parts in a social life which was not a mere struggle of each man to get as much and give as little as possible.

[1] D. H. Macgregor, "Motives and Standards in Industry," *Economic Journal*, March 1923.

CHAPTER VI

THE OWNERS OF CAPITAL

It has been noted above that ownership plays a dominant part in the industrial system. Craftsmanship and public service are much less prominent and much less powerful. It is necessary, therefore, to discuss the position of owners, but only that section of owners of property will be our concern here which holds *industrial property*. Ownership of land or of clothes or of literary productions may be omitted in order to concentrate attention upon ownership of machines or other industrial " plant " or of raw material; for example, coal, cotton, leather, and metals. The distinguishing mark of such ownership is the right to receive payment for the purchase or use in industry of the property owned, and all such property will be here called *industrial capital*.

Business capital is an extension of this industrial ownership into the sphere of credit; for example, shares in an enterprise, which are *business capital*, represent not so much actual machinery or raw material as rights to draw profit upon the basis of the accepted or imagined credit of that enterprise.[1] Thus in an enterprise whose plant is worth far less

[1] It should be noted that this ownership is really control of the common knowledge and ability of the community as a whole; it is " possession of the usufruct of the community's technology," as Veblen puts it in *The Vested Interests*.

than the capital invested in the enterprise, the shareholders' property rights are not simply confined to the plant, but include the prospective earning power of the enterprise. These economic categories may be further defined, but it is enough for the present purpose to say that the owners of whom we shall speak here are those who have property rights in industrial and also in business capital. Of course there are many who, besides owning such capital, fulfil some function in society either political, economic, or educational; but only the ownership of such persons will be in question here. Probably as owners they have a distinguishable psychological attitude, and in any case they have special moral responsibilities as holders of industrial power. They do not normally form a special caste in society, but when there is any question touching acquired or inherited wealth, there may be a tendency for a group-mind of capital-owners to be formed. Even in such cases, however, they seem to be rather the embodiment of the conservative tendency which exists in any stable or traditional civilisation.

Psychological Data.

Psychological data in regard to owners of capital are difficult to state precisely, but evidence may be found in shareholders' meetings, in letters to the Press, and in conversation at unguarded moments. Owners of industrial capital are normally somewhat dumb, and this is in itself socially significant; for it tends to show that as owners they have no group-mind and are passive in regard to social functions.[1]

[1] It should be unnecessary, but it may be safer, to note that we are speaking of *owners*, not of "Capital." Of course capital may be regarded as active, and some of the functions of capital may be

Only on rare occasions do they express a distinct point of view.

The most prominent characteristic of shareholders is the desire for security. They are naturally opposed to any changes in the social system or in government which may diminish the value of their holdings. It may be thought that this is an attitude common to all owners, but that is not so. The prominence of the interest in the money value of property is peculiar to shareholders. Owners of land or personal property do not normally watch the fluctuations of the value of what they own. Shareholders do; and although they clearly desire the value of their holdings to increase, yet it is not that phase of the desire for gain which is characteristic of them, but rather a desire not to lose. This is the natural result of the fact that most owners of capital have saved or inherited and invested it in order to obtain "security." To be untroubled in regard to the future is the chief purpose in acquiring capital, and the psychological effect of accumulating the means for such security is an exceptional nervousness lest what is accumulated should diminish in value.[1]

The psychological complex formed by the passion for security, and the dread of impending or imagined changes, is one of the chief bases for "law and order." Of course, all men desire some security

put down by careless economists to owners of capital or capitalists. Thus the virtue of capital, which is undeniable, may be made into a virtue of the capitalist, which is doubtful. Similarly attacks on capitalists often are mistakenly transformed into abuse of capital and its functions. There is nothing wrong with capital.

[1] The *Insect Play* by the brothers Kapek renders the capitalist as a beetle with an affection for his "pile." Much may be made of the fact that investments are called "securities," which indicates a psychological complex.

of tenure and expectation, and therefore all men naturally support law and order. But owners of capital go beyond this. For them, not any law and order, but only the current law and the established order are admirable. This is the ground for calling the whole of our civilisation capitalist, not that there is more capital or that it plays a more important part, but that accumulation dominates the mind of a great number who are the most earnest supporters of the existing order. That this is not normal or inevitable in any civilisation can be understood by a person now living only if he has imagination enough to conceive a society in which security for old age or rest after years of labour does not depend upon private accumulation. If a great number or the vigorous element in a society had security of expectation otherwise, there would be less private accumulation and less of the narrowness and nervousness with which it is usually accompanied.

Another psychological characteristic which is important morally is the absence of any intelligence or interest among shareholders in regard to the methods by which their income is derived from the use of their capital. Continually at shareholders' meetings explanations and provisions for the future are waived aside by a representative shareholder who desires to have the dividend maintained or increased at once. It is possible, of course, that silent shareholders approve of delay in the receipt of their dividends when future prospects are bright, but there is never any discussion by shareholders of methods used in improving the enterprise or in payment of the workers of the enterprise. This will naturally be regarded as the business of the directors ; but the very fact that all such intelligent interest

in industrial organisation is delegated by shareholders indicates the narrowness of their outlook. To them rather than to the organisers, therefore, is due the concentration upon the making of profits. For example, Brunner Mond directors decided in 1920 to put aside a sum of money, which might have been dividends, for the support of research. Certain shareholders actually took legal action against the directors on the ground that they had exceeded their power; and although the Court decided in the directors' favour, it is evident that the shareholders desired immediate dividends in opposition to the larger view of industrial policy. It may be said, then, that shareholders generally show no interest in the methods by which their incomes are earned, but give the whole attention to those incomes abstracted, as it were, from their social sources.

A third psychological characteristic is the sense of belonging to a nameless multitude. In the large joint-stock companies of to-day the individual shareholder feels himself to be hardly anything more than one on a list. He is a depersonalised unit, whose intelligence or emotion or position in society is irrelevant to his shareholding. It may be going too far to say that shareholders in general feel that they are functionless, for many of them perhaps still believe the old mythology about "the reward of abstinence." But it is certain that shareholders feel themselves to be units of a featureless mass. They feel their class, but not as the workers do, for each worker feels his function to be somehow different from that of any other. The shareholder cannot very well believe that his £100 is distinguishable in character or use from the £100 of any other

shareholder. He becomes then as impersonal in his own mind as the contents of his purse, and it would indeed be fantastic to imagine that if industrial plant is owned by ten thousand shareholders, one wheel is owned by one shareholder and a shaft by another. Industrial joint ownership is not "several," and this makes a very great psychological difference between such ownership and ownership of clothes or literary property. This psychological absence of a sense of personality in owning affects the moral problem.

Moral Standards.

The moral standard which applies to shareholders may be described first by reference to them as principals to whom the organisers are responsible, for the responsibility of agents implies the moral responsibility of principals. If anyone is commissioned to act for the sake and in the interest of another, that other is morally responsible for the acts done. This holds no less for politicians, statesmen, and diplomatists as for servants and children. He who gains by an act is morally responsible for it. If a nation gains by deceit or violence, that nation is morally guilty, and not so much the statesmen or soldiers who have practised force and fraud. Thus also if shareholders gain by the exploitation of Chinese or negro labour, they are morally responsible for the evils endured. Their gain, their security, and the other advantages they enjoy are morally weighted with the evils endured by others in the production of such advantages; for incomes and security do not drop from heaven even upon the owners of wealth, but are the pro-

ducts of the brain and sinews of some human beings somewhere. The labour of "saving," which in some cases deserves "the reward of abstinence," does not absolve the saver from all further responsibility for his income.

Real morality, however, cannot rest upon a mere feeling of responsibility. It is not enough that the responsible person should feel guilty, or that other persons should regard him as guilty, for responsibility is not real unless the responsible person actually suffers for evil done. That is to say, a civilised society is so organised that the persons who originate or who derive gain from an act inevitably feel the repercussion of that act. But in the industrial system, for reasons which will be discussed later, the origin of acts and their results are difficult to trace. For example, it is difficult to say whether the shareholder in a Chinese match factory is responsible for the prevalent "phossy-jaw" or whether the shareholder gains from the disease of the workers; still more difficult is it to apportion responsibility among perhaps ten thousand shareholders of the same enterprise. The result is that the law and moral customs of trade do not make the shareholder suffer, and, as he is sometimes certainly guilty of reckless desire for gain, this is a moral defect in the system. The economic structure is so far less civilised than it might be, for lofty sentiments are not the true sign of civilisation, but real morality embodied in social organisation.

The moral standard, not yet operative but certainly assumed by most thinkers on industrial problems, implies that there should be some legal method of bringing home to shareholders the results of the actions done in their name and for their sake.

How far, then, can shareholders be made really responsible for the use to which their capital is put? The history of the realisation of moral responsibility indicates the character of the problem. Theoretically, of course, all responsibility involves the problem of free will and the origination of human acts, for if a man does what his ancestry or his circumstances compel him to do, there is no such thing as responsibility. It has, however, been observed from the very earliest times that there is some difference between a thunderstorm and a human act, and it has been generally thought that a human act can be traced back to some person or persons. It is unnecessary for us here to go more deeply into the fundamental problem of ethics, for although some human source has been sought for certain events, it has never been clear what person or persons may be treated as the first source. At first a rough approximation led to such social customs as the blood feud. A murder, for example, could be expiated by the death of any one of a group; in a sense the whole group was felt to be guilty, although perhaps the conception of guilt was not at this stage dominant. Now we have reached the stage of expecting to find a particular person who is the source of some acts. Reward and punishment depend upon this discovery, and in the period of simple individualism there was no practical difficulty in condemning the individual criminal or rewarding the successful man.

Our present difficulties are perhaps caused partly by a new feeling of communal or group responsibility. We feel that not the criminal merely, but the society in which he lives, must bear the guilt of his acts; and, theoretically, we may find it impossible even

to assign responsibility, apart from the further difficulty of making it real. The theoretical difficulties, however, should not make it impossible to find a practical approximation to real responsibility in modern industry. The law, for example, does not hesitate to punish a fraudulent solicitor, although circumstances and his family may have a part as cause of his acts; and this is not a defect of the law. Theoretical ethics is misleading if it implies that the distinctions between persons and their acts should be similar to the distinction between two stones. As the act of the solicitor is shared, so in a civilised society is his punishment, even if the law passes sentence only upon him. The point of importance here is that practical approximations in regard to responsibility are, in good theory, valid bases for social organisation. The actual source of an act need not be discovered if those who gain from an act bear the incidental costs of the act.

It follows that we may disregard the purely theoretical difficulty of tracing precisely this or that evil result to acts done by this or that shareholder. Social morality, in any case, is concerned with the adjustment of social organisation so as to minimise the number or extent of evils incidental to the life of society. It is, therefore, as part of a social whole that the body of shareholders in any enterprise must be treated, and the fines for infringement of factory or commercial laws properly fall to be paid out of the possible gains of the shareholders.

There are, however, much more important practical difficulties at present which arise from the peculiar new structure of industry. In the early industrial era, when a man used his own capital in employing his workers or selling products to the

public, one could find a particular man or a few men who were clearly responsible if exploitation or fraud occurred. But now there are innumerable large companies with more than ten thousand shareholders each, and in such cases it is very difficult for one of these to feel any responsibility for acts done in the name of all. The moral situation is the same in the great states of modern times. If there are twenty million citizens of a state, it is difficult for any one of them to bear any responsibility at all for the acts of statesmen. The conclusion, however, is *not* that moral responsibility disappears or that acts become merely natural forces. The right conclusion is that (1) the moral responsibility of the agent is greater, and (2) there is a new form of joint responsibility similar to the primitive responsibility of a village community for the keeping of the peace.

The mere number of the shareholders in an enterprise, therefore, does not lessen the moral responsibility for acts done; but (1) the directors bear more than they would if they were really, as they are theoretically, instruments of the shareholders' will, and (2) the shareholders as a single unit bear the actual weight of good and evil results of acts done. The law in civilised countries does in fact exact fines for exploitation or fraud, as defined in Factory and Companies Acts; and the fines are paid out of the pockets of shareholders, since dividends are lessened thereby. Thus shareholders do in some cases suffer for wrong done in their name or in their interest. The situation, however, grows more complicated with the increase of speculation.

Secondly, many shareholders change their investments from year to year, or oftener. It is impossible

for them to be held responsible for the actions of the company in which they are but birds of passage. They can hardly acquire any knowledge of the company whose shares they hold for very short periods ; and although when they buy new shares they take over whatever lies against their new company, they are less and less an integral part of the community of producers.[1]

Thirdly, most investors distribute their investments in order to have security, and only a tenth or hundredth of their income may be derived from any one enterprise. Therefore they cannot follow the actions of the many directors concerned, and, indeed, can hardly be expected to do more than look out for profits. A man with several small investments is not intellectually a part of any of the groups which use his money.

Again, in some enterprises or in the funds of smaller governments the holding is in bearer bonds. Even the names of the owners of such bonds are unknown. There is no registration such as there is for shareholders. The attention of the bondholder, therefore, is still less attracted by the use made of his property and still more restricted to mere proceeds in dividends or interest, and the general public has no means of fixing responsibility upon the bondholders. The moral problem becomes important when, for example, capital-owners in Europe buy bonds or invest in the loans of governments which oppress, exploit, or ruin a country ; for it can hardly be imagined that there is no moral defect in lending money to a robber or a murderer

[1] There is a tendency towards a regular process in the change of owners from investors in *new* enterprises to holders in established enterprises. Cf. Pigou, *Economics of Welfare*, p. 147.

in order that his operations may be more effectual. In the same way fraud or public injury is made more possible by the holding of shares of individuals by banks or other nominees. Personal responsibility is thus diminished.

Finally, there are holders of debentures and other such securities. These have no power to control the policy of the companies concerned. They are merely lenders. They are not, therefore, as responsible as ordinary shareholders, but as lenders they bear some responsibility, for they make certain actions possible which would be impossible without their loan.

The general conclusion is that the various new forms of investment tend to divide the owner of industrial capital more and more from the use of his capital. He is becoming, in fact, negligible in industrial organisation.[1] Even his "saving" habits, so much admired by the old economists, are of no importance, since industry depends upon accumulations administered by the directors, and these accumulations are the results of trading, not of "saving." The truth is that the moral problem is no longer that the shareholders may do evil, but that they make no difference at all.

So far, the language used may seem to imply that investment is merely a choice of evils, or that it is inevitably in danger of causing evil. But that is not so. It is easier to speak of responsibility by reference to possible evil-doing, for no one attempts to escape the credit for doing good. However, the argument should not be understood as implying any moral defect in investment. The possibility of

[1] Veblen (*Vested Interests*) speaks of capital-owners as mere liabilities in an enterprise.

doing evil by it implies also the possibility of doing good; and, of course, the vast majority of enterprises do more good than evil in any normal state of civilisation. The investor, therefore, is to be viewed as co-operating in the good done by the workers and organisers of any enterprise, and the problems which arise in regard to the responsibility of shareholders do not in the least imply that shareholding is morally defective. But whether good or evil, an act must somehow be the act of the owner of capital if he is justly to bear its consequences. The trouble with industry at present is that it is not at all what the older theories described. Its operations are not the acts of the greater part of those who own the capital concerned.

Nevertheless, the conception of ownership dominates the situation. A comparatively small group of financiers and business organisers control production in the name of owners and on the ground that they own the capital concerned. Thus the minor problems with which we have dealt above are all subsumed under the one great problem of the *right of property*. Is anyone who owns property absolute in his control of that property? Does he, as a property owner, owe any service or compensating duty for the ownership? In more concrete terms, is a man who owns or controls a business enterprise morally free to use it or not to use it to his own best advantage without reference to the needs of the community?

The moral standard which is, in fact, operative in regard to the ownership of industrial property, was stated generally for property in general by St. Augustine in the *De Civitate Dei*, where he says that there is no right to misuse or to prevent the

use of property. In other words, the power of any person in regard to his property is sometimes said to be "limited" or conditioned by the general interest of the community of which he is a member. This is a commonplace; but careless or rhetorical language about property sometimes seems to imply that any conditions governing the use of property destroy the true right of property. The conception of property as sacred or unconditionally possessed is, of course, pure nonsense. Property is a right, not a power; but as Green showed long ago, all rights are socially created. My property is the sphere of power over things which is *allowed* to me by my fellows or is *recognised* as mine. It is the recognition of others and not the power of the property-owner which makes the right of property. This is the basis of all laws in regard to property.

Property, as well as all social life, depends upon what used to be called a social contract or consensus. Now, Locke pointed out that the implied consensus in social life was necessarily conditional, because it was, at least vaguely, purposive. Hobbes had imagined an original contract by which our ancestors had entirely alienated to a sovereign the rights of this generation; but Locke saw that such a conception would destroy all law by dehumanising the whole human race except its first parents. He therefore concluded that the tacit agreement or opinion, upon which rested government and legal rights, implied defining the sphere of government by reference to the particular purposes which government was to serve. That is to say, there is no absolute and complete transference of rights, for all rights are conditional upon the achievement of a dominating social purpose. From this Rousseau

could draw the conclusion that every generation retained sovereignty, for as the situation inevitably changes, so the definition of purpose of social unity is always changing. All this, however, takes one back to the fundamentals of social philosophy ; it is enough for our purpose here that all rights, including the right of property, depend for their extent upon the general character of the social life of which they are, as it were, the bodily structure or skeleton. It is essential that rights should be comparatively permanent, in contrast with fashion or habit, but they are no more fixed in extent or rigidity than is the skeleton of a growing body. If, however, we think of rights not as limited by social needs, but as extended by grace of society, we shall conceive them as what the Middle Ages called " liberties." The liberty of a manor, or the freedom of the city, was a sphere within which the individual or the group was granted power to act. In that sense the ownership of property is a liberty. It is not, properly speaking, " limited " by law and custom, but given its extent and definition by them. That is what Green means when he says that rights cannot even exist outside society.

To say, then, that the right of property implies that a man can " do what he likes with his own " is either a platitude or a pernicious error. It is a platitude if it means that a man may act freely within the sphere created for him so to act by his community. It is an error if it means that property-owning is unconditional or individualistic or aloof from society.

The question arises, then, what the sphere of activity is which is implied by the right of industrial property. Of course, most property is subject to

taxation, liable to inspection and subordinate to the so-called right of eminent domain; but we must now concentrate attention upon the special conditions of industrial property, for they are the expressions in law or cutsom of the responsibility of the owner of capital.

First, in most civilised countries it is not permitted to invest capital in socially objectionable uses, for example in the keeping of brothels, although the return on such uses may be very great. It is not allowed to use capital for promoting adulteration of food or drugs, and property so used is liable to confiscation with the general public approval, as for example we confiscate machinery for counterfeiting coinage. In most societies, therefore, it is already quite impossible for a man "to do what he likes with his own." These prohibitions or obstacles, however, should not be thought of as limits to the right of property, as though the right already in existence were lessened by regulation. They are not limits as the description of a piece of land in a deed of transfer are not limits. They are definitions of the area of rights. Obviously, the conception of what is socially objectionable changes in different ages and differs in different contemporary societies. These differences may not be only differences of opinion but real differences of fact; for it may be objectionable to go naked in London, but not in the African forests. Thus in every society the area of the right of industrial property differs.

Beyond these vague definitions of the way in which industrial property must be used, there is no further legal provision to distinguish one use from another. It is generally agreed that capital used in food-production may be more beneficial socially

than capital used to extract diamonds. But law and custom do not provide any means of directing capital to the one use rather than to the other.

The moral standard, however, is not wholly embodied in the established law. There are some uses to which capital may be put which are legal, but would not be generally accepted as morally right. Society is, as it were, undecided whether in such cases the use of capital is or is not socially harmful, and there is disagreement within society. For example, some would say that the use of capital in providing intoxicants is morally wrong. The important point here is that the owner of capital is morally bound to think of the use to which his capital is put, whatever the income he derives from it. Before investing any capital in industry, it is therefore morally necessary to consider what service or disservice is done by the enterprise concerned. Normally, of course, it is assumed that established companies and new enterprises which the Stock Exchange does not exclude from its lists are doing service and not harm, and the investor is not, therefore, morally bound to examine into the morality of all possible investments. That would be a ludicrous possibility in a civilised society, for it would imply that there was no effectual moral standard keeping industry upon right lines. It is, therefore, natural that publicity and the custom of the Stock Exchange should be regarded as sufficient security for the ordinary investor, even in moral questions. But there remains the more subtle task of comparing the moral qualities of services, neither of which is positively or obviously harmful.

Indeed, progress in civilisation depends quite as much upon a choice of good things as it does upon

distinguishing the good from the bad. The *Psychomachia* of Prudentius, which influenced the artists and moralists of the Middle Ages, contrasts the virtues and the vices. Each virtue is characterised by contrast with its opposite, a vice. The soul has to choose between these mortal enemies. But that is a very simple, even barbaric, idea of the moral life, for the more subtle issue is the incompatibility of virtues. A man cannot be a great scientist and also deny himself all use of the complex appliances of modern life, and yet it may be equally excellent to live simply and to think deeply. Thus in the case of owners of capital the problem in choosing investments is not how to avoid evil-doing, but how to reconcile two apparently incompatible methods of serving the community.

In regard to industrial investment apart from the rough approximation afforded by custom, the investor who is morally alive will compare the moral value of the services which are performed by different enterprises. For example, the provision of diamonds is probably not so beneficial as the provision of clothes or even of tobacco; or again, some patent medicine or patent foods may be less beneficial than steel rails. It is not to be imagined that the most moral of men will or should spend much time in estimating exactly the difference of moral worth between two enterprises. That would be fantastic. As Sidgwick said of one virtue, and as he might have said of most, they are best when not too continuously or too closely examined. All that is suggested here is that a certain moral wakefulness, or at least awareness, of social needs is incumbent upon any man who is sufficiently civilised to think of these matters.

Civilisation in the industrial era has undoubtedly

suffered because the investor has paid so little attention to the use made of his investment. He has been so completely absorbed by the desire for dividend and security that he has often supported less beneficial enterprises when he might have had just as much dividend and security from the more beneficial. Further, the economic motive for investment has been so dominant that there has been no general tendency to sacrifice a few pence of income in order to assist in a more excellent enterprise. This, no doubt, is one of the many causes of the hideous rows of jerry-built houses which are the symptoms of the industrial era, and this concentration on price may be the reason for the soul-destroying clothes in which that era has swaddled the world. When we are more civilised in other ways perhaps our methods of investment will also be more civilised; meantime they assist in the general corruption of taste and intelligence, although this may be in some way corrected if any investors are able to exercise an enlightened choice among industrial enterprises.

There is no conceivable method of making investment more socially beneficent except the method already in use, that is (1) prohibition of some possible trades or methods of trading, (2) permission by some body of specialists such as the Stock Exchange. Some may imagine that a Government should provide indications of beneficial investment, and in regard to foreign investment some Governments do indeed issue indications to their citizens [1]; but this does not concern us here, for

[1] It is well known that the French Government in particular uses the investments of its capital-owning citizens to support "national interests" of a political character abroad. This is one among the many ways of estimating the social value of investments.

it comes to the same thing in principle as the *visé* of the Stock Exchange. The principle is that a body of specialists issue indications to guide investors, and it is assumed here that such a body, whether governmental or not, will have the public need in view when they approve or disapprove of certain uses of capital.

It remains, therefore, to consider what the moral standard indicates in regard to the responsibility of capital-owners *after* the investment is made. The difficulty of making responsibility real, which has been discussed above, has led some to suggest that all power should be withdrawn from capital-owners in regard to the organisation of industry. The argument runs thus. Power ought to be commensurate with responsibility, and if a man has no real responsibility, that man should have no power. That is to say, the capital-owner should not direct and his interest should not dominate industrial enterprise. There are two phrases used with this general intention: one is that labour should hire capital instead of capital hiring labour; the other is that there should be no functionless wealth. In any case, no one suggests the entire discontinuance of the system of giving interest to owners of capital, even if some socialists say that the only such owner of capital ought to be the whole community. The return on capital is taken for granted, but this return might be fixed at a certain rate in different industries according to the judgment of those working in the industries. The rates might even be varied at different stages of an enterprise. For example, the rate of interest offered by a new enterprise might be higher than the rate offered by an established enterprise which

had greater security. All these details, however, are matters for the economic art or the practical judgment of those directing the enterprises. What concerns us here is not the particular method of fixing the rate of interest, but the fact that the rate may be fixed ; for this implies that the investor or capital-owner will get just so much and no more. The amount would be what the use of the capital is worth to the organisers and workers of the enterprise, and the result would be to withdraw all power of directing industry from capital-owners. The moral end thus achieved would be to free the owner of capital from responsibility for the conduct of industry, because he cannot exercise that responsibility in present circumstances ; but it will be noted that this result transfers the moral responsibility, especially in regard to the service of the public, to the organisers and workers.

The conception that industry is a public service, and that its organisation should be in the hands of the servants concerned, implies that the interest on capital should be what the workers in the industry are able or willing to give. The owners of capital would then have what they generally say that they want—that is, security. But they would not have those incidental gains and losses which are represented now by the fluctuation of dividends. Such a scheme may or may not be better than the existing system. It is not our task here to estimate the moral or economic value of plans for reconstructing industry. The point of interest for us is that such plans exist, and in the case of capital-owning one at least of the schemes for reform is based upon a conception of moral responsibility. Functionless wealth is assumed to be objectionable

on moral grounds because those who have the benefit of it do not bear any of the burden of creating it. They gain, but they avoid whatever incidental loss or effort is required. Now, when any large class in a community does not share the rhythm, the up and down, of the common life, the solidarity of life in the community is destroyed. That is to say, the community ceases to exist in them. They are what would be called in zoology parasites—receiving, but contributing nothing. It is not, of course, generally asserted that there are in fact any persons who are thus functionless ; at any rate, it is no concern of ours here if there are, for a man may be a good painter and yet be living on unearned income. In such a case his function is artistic. But in regard to ownership, or in that element of a man in which he is an owner merely, a man may be functionless. On this ground it is said that functionless wealth disrupts the community.

The conclusion points to a conception of economic life as part of the whole life of the community, and therefore we must now turn to the discussion of the life of the community. But before dealing with the community as a whole, it will be necessary to discuss one other class or function in industry—that which is contrasted with the function of workers, organisers, and owners, and is called consumption.

CHAPTER VII

THE CONSUMERS

Definition of the Consumer.

The position of the " consumer " in economic life has not been so fully considered by economists, psychologists, or moralists, as the position of producers, and therefore uncriticised prejudices are more common in this section of the subject-matter. It is assumed that demand is the motive force which sets going the machinery of supply, and a distinction is commonly accepted between demand in general and " effective " demand. The economist is, of course, concerned mainly with effective demand, for that alone is mathematically calculable matter of fact. Psychologically, however, and morally demand in general may be more important. Even in economics effective demand is conceived to be capable of expansion, and in that sense demand which is not at the moment " effective," but may become so, is important even in economics. A " market " may not have fixed limits. It may be indefinitely absorbent, or it may grow larger ; or there may be an increase in the number of markets. Indeed, the creation of new markets is regarded as one of the best examples of the skill of the salesman-producer. Thus, outside of effective demand, there is a reservoir of general demand which economics

must consider. The part of demand which is not effective is sometimes called "potential" demand, and this, as mere matter of fact, is the ground given even in economics for changes in economic development.

But psychologically and morally this ineffective demand, if we can assume its existence, is more important than it is for economics. It implies that there are needs and wants which do not find expression as motive forces in industry. Expression of such wants may be impossible because of the pressure of other wants, for if a man's voice is taken up with calling for one article, he cannot call for another. Thus there may be a potential appetite for music in a man or a group of men, but if he is, or they are, expending all their energies in making effective the demand for bread, there will be in that case no effective demand for music. On the other hand, one cannot assume that there is even a potential demand for music everywhere because some men show it. Great numbers who do now not demand it might still continue *not* to demand it, even if all their other demands had been easily supplied. Whether or not this appetite exists and of what kind it is, would be a question for the psychology of demand; but it cannot be assumed that any general demand exists until there are some indications of it at least in an incipient "effective" demand.

Morally, what is important is the distinction between kinds of demand, or between demands for different kinds of supplies. In contemporary economic life there is a demand for the cinema, for the school, for boots, and for pictures. These "goods" fulfil different functions in the moral life. They

have, perhaps, different moral values, and their relation to one another in the moral life, whether of an individual or of a community, is morally most important. The kinds of demand dominant in any society are much more important indications of the stage of civilisation reached than the kinds of supply or production. Industrial civilisation as contrasted, for example, with mediæval civilisation is to be understood by reference chiefly to the appetite for railway stations as contrasted with the appetite for cathedrals, and this contrast is more significant morally than the contrast between methods of manufacture. Thus morally demand, effective or incipient or hypothetical, should be analysed and criticised, for it indicates what is thought worth while.

Clearly this is what is referred to by economists as "*the standard of life.*" It is assumed, often without psychological or moral analysis, that there is a particular group of dominant demands which operates as a standard in the sense that every member of a group makes efforts to obtain use or enjoyment of certain goods and services. The standard of life of any group is a psychological complex of demands—so much food, clothing, and house-room, so many amenities, and so many outlets for superfluous energy. But the standard is a real whole, an artistic ideal, not a mere addition of units. The hypothetical "consumer" of economics is the operative element in a group of such persons whose standard is the same. Psychologically the standard of life is the result of inherited tendencies and the acquired habits of a group. Thus the modern industrial worker has a different standard of life or complex of demands from that of a negro

in Africa, both because of the "traces" of past experience and because of the developed appetite for crowded company and change. Thus also the standards of life of different social classes, and even of different occupational classes in any industrial country, differ psychologically.

Morally, standards of life may be regarded as expressions of the type of character, conduct, and social contacts, which are regarded as "good." Thus a man would not be regarded in some groups as morally excellent unless he had possession of, or access to, some pictures and music; and in other circles, for example in Borneo, he would have to possess the heads of some persons he had slaughtered in order to be regarded as excellent. We are not for the moment concerned to say which moral judgment is correct. The only point here is that a moral judgment is implied in any operative standard of life. It is worth noting also that the conception of a standard of life is the point in which economics touches the frontier of other interests, for certainly no one supposes that any economic standard (i.e. any standard calculable in exchange values) can be discussed without any reference to items in the general standard of life which have no exchange value. For example, a standard of life morally includes a reference to friendship or affection; no goods and services can be included in any standard which do not promote these non-economic goods, and therefore all assessments of the standard of life in terms of exchange-value should include a reference to non-economic goods.

Finally, the economic term *utility* as contrasted with value in exchange is in question here, for

consumption, demand, and the standard of life all seem to refer back to some "basic utilities" which they are assumed to express. But utility is a psychological and a moral term. Psychologically it means anything which expands, increases, or intensifies psychic or mental energy. The examples are obvious. Disutilities, or "illth," as contrasted with wealth, are whatever "goods" (ills) or services (disservices) obstruct life in the individual and in society [1]; and, no doubt, apart from any moral judgments, psychologists can tell us whether cocaine, for example, intensifies or obstructs energy. Thus there is a psychological meaning of the term "utility," based on the connections in experience of certain goods and services. If they form parts of a whole, they are useful; if they are disruptive psychologically, they are not utilities.

Utility, however, is fundamentally a moral term. It has in view an end or purpose, and therefore a moral standard or ideal. This was what was in Ruskin's mind, and economists are naturally impatient if the moral problems of utility prevent the discussion of the entirely different economic problem of value in exchange. An economist is not a villain if he refuses to discuss what is not his subject. On the other hand, the economist is an obscurantist if he refuses to recognise that outside the analysis of comparative exchange values the moral problem of utility exists. The moral utility of goods and services is their contribution to the formation and development of character and conduct in society. Therefore a picture or music may have a very great utility and, where the basis of bare living is secure, a greater utility than that of bread and

[1] The reference to Ruskin will be sufficiently clear.

boots. Utility, then, as a moral fact is the relation of goods and services to a moral standard or ideal of character and conduct in society. The final test is, of course, expressed in a judgment of intrinsic value in the ideal ; that is to say, the ideal is a value perceived. And the fact that boots and bread and music contribute to or form parts of this intrinsically good character or conduct is again a value perceived.

So far the terms consumer, demand, standard of life, and utility have been merely noted as belonging together. Those activities to which all of them refer may be called consumption, final consumption, or enjoyment and use. The most significant single term seems to be enjoyment ; but it is enough if it be understood that we are classing together all the phenomena usually contrasted in economics with production. It is now possible to analyse psychologically and morally the existing situation in this regard.

Psychology of Consumption.

First, in regard to psychological data, there is a persistent superstition that consuming is "individual," even where producing is "social." Even those economists and social philosophers with a bias towards what is called "socialism" seem to imagine that the use of goods and services is individualistic or atomic and personal, in a sense in which the supply of goods and services is not ; but this is mistaken. All demand or consumption is the expression of taste or choice which is social, because each person chooses with an eye to his neighbour.

There is no evidence for atomic or personal indi-

vidualistic choice or taste. In a sense, of course, the food I like and the dress I choose is "my" choice, and in the same sense the steel-rail upon which I work is "my" product. But as I could not produce this steel-rail by myself, so I could not like or choose this food or dress if I were not part of a group with a certain tendency or common effect upon an environment. Consumption or demand is co-operative in fact, even when it is not consciously organised. The family makes a demand as a unit, and all the members express a joint demand; the social group in which a man lives defines, by continuous contact between minds, the kinds of goods and services which the group regards as desirable. This is implied, in spite of some assertions to the contrary, even in the methods of the traditional economics. For example, the "family budget" has become the basis for calculating certain phases of demand, and not the self-interest of an individual; and when China, for example, is spoken of as a single market, it is implied that the group of men and women in China choose together as a group.

Secondly, even in that element of choice or use in which "I" am distinct from "others," what I choose or use intimately affects what the "others" choose and use. The psychological law of imitation holds much more obviously in regard to the acquisitive than it does to the creative energies. If I choose yellow, some others tend to choose it also, and some, generally fewer, react against it; but all take account of my choice directly or indirectly. Taste for the vast majority appears to be vicarious, although we can hardly tell from existing evidence whether this is a temporary survival of barbarism or a fundamental fact of all possible group life.

Fashions change and tastes differ, but fashions are communal, and many men and women change their fashions together, one influencing the other, and tastes differ more between classes or races than between individuals within any class or race. The great variety of consumers' tastes should not obscure the fact that there are group-tastes, and that consumption is a very intricate structure of interrelated elements, although all tastes exercise one influence in contrast with what is called supply or production.

In a sense, therefore, there is a consumers' community, and in a sense "the" community may be regarded as fundamentally a body of consumers; but this should not be taken to mean that consumption is an undifferentiated function over against a diversified production.[1] The community of consumers is as difficult to find, in fact, as the community of producers; and the mere fact that every one demands *some* food is as "abstract" as the fact that every man expends some energy.

Classification of Consuming Groups.

In its simplest form consumption or economic demand is the expression of a psychological need for certain basic utilities, and this psychological need is as much bodily as mental. Thus some food and some shelter are demanded by human beings as by animals or even plants, and the psychological reactions are a series of movements or "behaviour" which is similar in all men. Hunger and the sensa-

[1] In the end of the Webbs' *Consumers' Co-operative Commonwealth* there is probably this mistake of assuming an undifferentiated community.

tion of cold are adjustments which are preparatory to eating and taking or making shelter, but these are by no means individualistic. They are expressions of instinctive hereditary tendencies. In them the race is the consumer, and even in them the psychic energy, which is studied by the psychologist, is not merely receptive but is selective. Not all food is man's food; and for shelter man needs not only housing, as some animals do, but also clothing, which no other living being requires. Thus certain kinds of consuming distinguish men from animals as much as certain kinds of producing in the use of tools. And if all that is meant by the consumer's minimum requirements or the minimum standard of life is the need for *some* food and shelter, then indeed all men are essentially consumers, and are not in the same sense essentially producers. But in fact there is no such vague standard. It is a far journey from the requirements of *any* human food and *any* human shelter to the specific kinds of food and shelter which are in fact demanded to-day. There are racial demands for *certain types* of food and shelter, as for example when the Japanese demand rice and slightly built houses, and the Bedouins demand dates and tents. Here the group-mind is active. Men are held together in communities and distinguished from members of other communities by their particular type of consumption or demand. And here something more than instinct is at work, for these special types of goods and services required are the stimuli and satisfactions of *acquired* tendencies. Economic results occur when the Japanese, living on rice, enters into competition, buying or selling, with the European living on wheat and meat. But these

economic difficulties are only the results of different standards of life or utilities of consumption by which the characters of different races seek expression.

Within the racial types of consumption are national differences, as, for example, when the British demand bacon and eggs and the French coffee and rolls; and here again obviously the individual Britisher does not choose. It is the group-mind that chooses; or if that sounds mythical, the choice is that of a member of a group, and not of an unclassified or segregate atomic consumer. The psychologically important fact is that the particular kind of consumption, demand, standard of life or utilities, is an expression of national character and the national structure of a particular community. This particular kind of consumption is partly explained as a group inheritance, partly as a group acquisition of new habitual tendencies.

It has been remarked above that consuming differentiates groups, and this fact is most prominent in the consumption of social classes or castes within any national community. Indeed, the so-called "upper" class often deliberately adopts requirements which serve to differentiate them from the majority. Thus the chief purpose of "fashion" is to differentiate in dress the self-selected superior or cultured sub-groups within a community; and fashion must change in order to preserve this differentiation, for imitation follows hard on the heels of originality. But it is not simply a case of upper, middle, and lower classes, as though one consuming group demanded more and of better quality. There are other social groups. For example, artists or doctors or coal-miners have different (not better or worse) standards of life or tests of utilities.

Here the utilities demanded are sometimes called luxuries, and are distinguished from necessaries. This is a moral distinction, but it has a psychological basis ; for the demand for necessities is a development of instinctive tendencies, and the demand for luxuries is an acquired appetite. Clearly, there is no dividing line between necessities and luxuries, as there is no dividing line between instinctive and acquired reactions, for all acquired or learned reactions are built up out of instincts ; but in some demands or needs the racial instincts, and in others the social group selections, are more obvious. Thus to demand wheat rather than rice may be a contrast of what are called " necessities," but to demand theatres rather than football matches may be a contrast of " luxuries." Such luxuries may be in economics not so significant as necessaries, but psychologically and morally they are more significant ; for it is by such luxuries that one discovers acquired or intelligent reactions, and by them one tests the moral alertness of a group or an individual. In this sense of the word luxuries are signs of civilisation.

The psychological data can be made clearer by experiment. For example, if a group of books is put before a mixed class of persons, each will observe or handle the books differently. Books are instruments which only highly developed intelligence can enjoy or use to the full, and they may be quite uninteresting or useless to those in whom reading can provoke no psychic reaction.

A test in consumption is to be found in the streets of any large city where groups of persons may be observed passing the shops. Different persons stop at different kinds of shops, and the kind of shopping

differs. One type of person will gaze for long at an article, another type will glance swiftly at diverse articles. The recording of such observations or experiments would provide material for the psychological analysis of taste or consumption, but is too intricate for further treatment here.

This reference to shopping centres may serve to introduce another psychological peculiarity of consumption, that is, its connections with sexual differences. In modern industrial countries women are generally consumers, and men are generally producers. This does not rest upon the mere number of men or women in either class, but upon the generally accepted belief and custom that the exercise of choice or taste in commodities or services is more characteristic of women than of men. In domestic life the woman is generally the director of final consumption, and the man is the servant in industry or production. In the shops women's tastes are much more considered than men's, and, indeed, the uniformity and ugliness of men's dress in industrial countries seems to show that men do not have a large range of taste or choice of such utilities. Even in non-industrial communities the taste of women seems to be more vigorous and varied than the taste of men, and this distinction probably rests upon very fundamental biological differences. Thus woman is *par excellence* the "consumer" and man *par excellence* the "producer," and this may serve to indicate one of the most important relations between the two social functions. Biologically women are the "race," and men a variation upon that central theme; and morally the enjoyment of utilities is the basic expression of character and conduct. The peculiar connections

between women and the art of consumption, then, may serve to indicate their central position in society. But it is more important for the argument here to note that the defects of the art of consumption in the industrial era may be due partly to the fact that women did not then have their proper status or power. For example, in mediæval industry the women of the household formed an active element in the manufacturing unit, but in the nineteenth century industry was organised upon a male basis. Women entered with children merely as cheaper labour, and the hours and conditions of the new industry being unsuitable for them, they had to be specially protected by law. The monotony and regularity of the new industry, as compared with the rhythms of " domestic " industry, may also be due to the dominance of male as contrasted with female influence. Thus women were ousted from the producing function, but therefore concentrated all the more upon consuming, and men lost all interest and influence in the art of consuming. The biological-psychological difference of the sexes was developed into an extreme specialisation which injured both production and consumption.

Another psychological characteristic of consumption is the rate of change. The changes in general taste are very slow. Consumption is much more traditional than production, and many new methods of manufacture arise, not for producing new kinds of goods, but for producing more and more cheaply of the traditional necessities and luxuries. If, however, the rate in the change of taste cannot keep pace with the rate in the change of methods of production, taste cannot control and direct production. Hence, instead of having a civilisation

now which is more varied in food, clothing, and services than that of the Middle Ages, we have a much greater homogeneity over the whole world in spite of our increased power of producing whatever is demanded. Local dress and local types of architecture tend to be replaced by the industrial costume and ferro-concrete everywhere, because of defects in the psychological energy of taste. The psychological analysis of consuming, however, shows a sufficient variety surviving, and it also shows that all consuming tends to be that of groups whose members are united in taste and thus distinguished from members of other groups. It follows that the interests of consumers are no more similar than the interests of producers. Consumers are divided, as producers are, both racially, nationally, and by social function. A national and still more a human minimum of consumable goods is as abstract an idea as a national minimum of serviceable energy. Obviously it is desirable morally that everyone should have enough, just as it is desirable that everyone should do enough; but it is less easy to say what is enough for any particular man or group of men, and still less easy to say of what kinds of goods the "enough" is to consist.

Moral Standards of Consumption.

(*a*) Control of Consumption.

In actual life certain moral standards are operative in regard to consumption, that is to say, one can make out the types of service and the kinds of goods which are regarded as morally desirable. Of course they are many and various. The description

of all the final products of industry would be a description of what is generally regarded as good for the consumer, but probably some saleable articles or services would not be regarded as morally good. For example, there is a supply of brothels; but economists and moralists do not now discuss the problem of the *pretium stupri*, which engaged the attention of the casuists, and this neglect is perhaps due to the feeling that some kinds of effective demand are not morally desirable. There would be some doubt as to the appetite for drugs, although this also is an effective demand; and probably other examples can be found where the moral standard actually operates to define or restrict consumption. Not every kind of consumption, then, nor every kind of demand for service is allowed to operate.

As in other cases, the best definition of the moral standard is to be found in civil law. The law in most civilised countries does not allow a man to demand some services; but, further, the laws against adulteration, from this point of view, delimit the possible appetites. There may have been, or there may be, an effective demand for adulterated goods, but the law forbids that the demand should be supplied. True, such laws are generally regarded as protections for good consumers against the wiles of the producer, but they operate also to improve the consumer. The prevention of the sale of bad articles creates a taste for good.

There are some few possible kinds of demand, then, which are prevented by the operation, through law or custom, of a moral standard, but the situation is less clear in regard to differences of value among the kinds of demand which are allowed.

For example, is there any distinction generally made between the demand for music and that for bread? The Canonists of the Middle Ages were able to compare morally the utility of bread and music; but we are less confident, and some of us are frankly sceptical. It seems almost impossible to say, even for one man, which demand is better morally than the other, except, of course, that we assume civilised life to be a variety of demands rather than a few. In any case, there is no moral standard operative in industry at present to promote the supply of one kind of goods and to obstruct the supply of another. Consuming, then, is within very wide limits free.

When, however, we analyse the actual functions performed in society by consuming groups, the situation appears to be far from morally good. Consumption is effective more as an appetite than as a directive or creative energy. The consumer in any group or consumers as a whole seem to have no effectual grasp of their moral functions. They appear to act and think as the worst form of old feudal nobility once did. They assume that they exist to be served, and the consequence of this mistaken morality is seen whenever a strike affects the services to which they have become accustomed. Against the presumption that a demand for service implies no responsibility for the condition of the servants we argue as follows.

First, obviously the person or group of persons using services should be morally responsible for the conditions endured by their servants. No one denies this, although in practice it is often forgotten. If I make use of cheap transport, I am morally responsible for the conditions which make it cheap; and so, also, I am responsible for the making of the

clothes, houses, and other goods I use. But moral responsibility involves the bearing of whatever burden is incidental to the situation for which you are responsible. Those to whom gain accrues from any situation are morally bound to accept such loss as may accompany the gain. This is a part of what is called distributive justice, and there is no true moral responsibility unless the person responsible may suffer as well as gain.

In actual economic life to-day the responsibility of the consuming public is accepted and enforced by numerous laws, such as those for unemployment, insurance, trade boards, etc. These are clearly for the protection of certain servants of the public in industry; but the point of interest for us here is that these servants are thereby protected, as it were, *against the public*. Such laws may operate to raise the price of goods and services, since labour would be cheaper if men and women could be starved into service or starved to death. This, however, the laws do not allow. The burden of unemployment, then, is partly borne, and rightly, by the consumer. It is recognised, at least within a restricted area of industrial organisation, that the consumer does not exist merely to be served. He is concerned with the conditions of service, and it is not morally possible to put the *sole* responsibility for conditions of service, even in perfectly *free* service, upon the shoulders of the servants.

This principle, however, does not seem to be grasped when any great strike holds up the services of the consuming public. It then seems to be assumed that the public or "the community" is innocent, and that if the strikers inflict injury upon the public, the strike is disloyal or morally unjusti-

fiable. Now some strikes may be unjustifiable because the strikers have no real grievance or no grievance sufficient to warrant so violent a measure. But where an adequate grievance exists, all strikes *ought* to be strikes against the public or community as consumers. Such strikes are methods of enforcing the moral responsibility of the consumer. The public is not innocent; it is a party to every section of the organisation of industry. If, therefore, grievances exist, they are grounds for complaint, not only against the organisers (employers) of industry for their incompetence, but also against all those who have used the services of the strikers.

The producer, then, has moral rights *versus* the consumer, but the opposite is equally true. The consumer has a moral right to service honestly given. *Caveat emptor* is bad morality. It is not true that the seller has no moral duty to prevent the buyer making a fool of himself. The right to serve *freely* does not imply any right to refuse consideration of the interests of those served. And in actual practice the consumer has a moral right to complain against restriction of service by combines and trusts which is expressed, perhaps ineffectively, in the law of some countries. We have, indeed, shown above that "control by the workers" cannot imply any moral right of the workers to organise their service so as to serve themselves mainly.

(*b*) Defects of Consumption.

So far we have spoken of the consumer *vis-à-vis* the producer, but we must now consider consuming as a social function. Turn, then, from the operative moral standard to the ideal by reference to which

we criticise the present system. Here the problem will be—what should consumption or demand be? What sort of services and goods ought to be demanded? Certainly, demand at present is unenlightened and consumption is often obstructive to life. The moral standards which are implied in a criticism of existing consumption in industry all rest upon the conception that consuming should be a positive contribution to social life. Clearly demand or consumption is the expression of psychic energy. The moral life consists in refining the quality and extending the range of this expression of energy, and therefore we call a society civilised in which there is a great variety of demands so harmonised as to invigorate the whole social life. But this is not commonly accepted by economists, at least so far as their statements seem to assume any moral standard.

It is usual to speak of "final" consumption. This is a useful economic conception, but it may be misleading in ethics, for morally there can be no "final" consumption. The eating of bread is not final except so far as the economic market value of the bread is concerned, and even in that regard economists speak of men who produce "more" than they consume. It is understood that a man's energy may have a higher market value because of the bread eaten, which has, therefore, lost market value. But in morals the situation is still more complex. The goods or services consumed or used are instruments for expression, and they are morally valuable in proportion to the amount and kind of expression which they render possible. For example, alcohol may hinder clear thinking and make it impossible for a speaker to express his meaning. In such a case the consumption is bad morally.

We are contending here against the ethical, as contrasted with the psychological, mistake of supposing that want is fundamental. It is not the absence of certain goods and services which justifies the demand for them; it is the power to use them for self-expression. The consumer, then, is fundamentally not an appetite, but an artist, and morally he should be the constructor or creator of a type of character and social life. The consumer has a definite function to perform in relation to the producer, and this by reference to the whole community whose life is in their functioning. The function of the consumer is not simply to be responsible for, or to avoid, exploiting the producer, but also to be a source of new energies in enlarging the sphere of enjoyment. He should, then, originate ideas as to possible goods and services and make new and more subtle demands. When he ceases to do so, communal life becomes monotonous and barren.

Consumption, or the enjoyment of utilities in industrial society, is crude and uncivilised. It is expressed in the dismal streets, featureless houses, and hideous clothing of industrial city areas. Production has, of course, immensely increased in volume and variety since the Middle Ages, but consumption seems not to have developed so fully. The standard of life for great numbers is probably higher to-day in regard to cleanliness, food, and shelter, and this indeed is a more civilised art of consumption; but in other elements, such as beauty of surroundings and ease of manner, the standard of life is not higher.[1]

[1] Cf. Havelock Ellis's contrast of the ease of manner of "savages" and the uncouthness of the modern city dweller.

The monotony of houses, clothes, and streets, however, is partly due to a psychological fact which has been made the basis of a "law of habit." An act, or a series of acts, which is done with leisure can be graceful and varied in every instance; but if the act has to be repeated hurriedly, it tends to mere repetition and monotony of form. Now, in the middle nineteenth century population increased and concentrated abnormally. There was no time for variation of reaction, and hence the monotonous houses and clothes. Ease of production swamped the development of taste or choice. It was easier to produce great numbers of similar articles to supply numerous examples of the same kind of service, and this left neither power nor time for demanding difference in goods and services. J. M. Keynes has written a pæan of this formless productivity which blurred the finer outlines of civilisation.

This psychological explanation, however, does not make the situation morally excusable. The fundamental defect is not simply an inability to react differently to an oppressive situation, but a misuse of instruments of the art of life. Here we come upon an important moral fact: the excellence of a character or of conduct in society does not depend mainly on a large and varied supply of material. Civilisation does not depend upon riches, for an artist with very limited material may produce a splendid work of art, and a man with few possessions or powers to command may be intellectually and emotionally vigorous and free. Even if the material for building spacious houses and graceful clothing was lacking, the actual material available need not have been used as it was. But in fact no effective thought or emotion directed the choice of such

products; they were acquiesced in, exactly as though consumption were in fact a mere appetite or want. And if consumption is merely a want, then the more you absorb the better your consumption. Hence a misunderstanding of the moral character of consumption led to an overrating of the value of possessing riches or mere power to consume; and even revolutionaries accepted the mistaken assumption that a world in which there was more available was necessarily a better world.

Against this we urge that morally a community with few and simple goods and services available might in every way be a better and more civilised community. The moral ideal indicates that the use of what is available is more important than the amount available, and that the misuse by all classes of what was available has been a greater evil than the lack that some have suffered of certain goods and services. For losing the ability to use new opportunities, one ends by having no use for anything.

The moral defect, therefore, of the industrial era is that there was no taste or choice to express. Consumers were not fulfilling their function in society. They had nothing to offer in directing production, for they had lost the capacity for enjoyment in the art of life. This is what William Morris meant by saying that what was bad was not that we had not gone far enough, but that we had gone in the wrong direction. Civilisation had lost that very ability which alone distinguishes it from barbarism. As Lowes Dickinson has put it: "Machinery of every kind you can make and use to perfection, but you cannot build a house or write a poem. Still less can you worship or aspire." [1]

[1] *Letters of John Chinaman.*

One cause at least of this incompetence can be named. It is inattention to the psychological facts and moral values in the using of goods and services ; and we may therefore put down to the economics of the nineteenth century some of the blame for the defects of civilisation. Economists, very naturally as specialists, concentrated their attention upon the price of goods ; but many of them implied or assumed that the price was what was, in life as well as in economic study, most important. Hence every quality of an article has been for some generations regarded as less important than its price. That we have learnt to measure, and it has absorbed our attention. Thousands of books have dealt with the money values of goods and services and with the money costs of production. Hardly any attention, therefore, has been spared for the selection of goods and services or the adjustment of enjoyments in the art of life. This has been left to take its chance. The result has been that, although a few know, the social mind of our time has no effective knowledge of the distinction between beauty and ugliness, or between different degrees or kinds of beauty. In the industrial city areas, therefore, the social tone has not opposed the destruction of beautiful objects in order to increase production. The point is not that men lacked a " sense " of beauty or of moral qualities as contrasted with money value, but that they gave to such matters no analytic and critical thought. The absence of such thought made such sense of æsthetic and moral quality as there was incompetent and " sentimental." There was no skill in the art of consuming, using, or enjoying.

The morality which is here classed as defective

may be indicated by the traditional view of those consuming, as contrasted with producing, periods called holidays, and particularly bank holidays. These are conceived to be times when the modern industrialist "rests" or enjoys himself, and in the primitive morality of the nineteenth century these times were regarded as "spare" time. It was not conceived to be of any account. Work in industry was thought to be life, and the rest was merely an interval. A still more limited conception was that holidays were for the sake of making the worker do more work by reinvigorating him. Naturally, therefore, the "bank" holiday was, and in some parts is, the empty period in which the industrial crowd can find nothing worth doing.

Contrast this with the festival of the Middle Ages and with that of non-industrial countries. The holiday which is a festival is not a mere rest or interval in work. It is an expending of energy upon other objects; and indeed the working days are conceived to be for the sake of the holiday. In such festivals there is communal enjoyment, and the art of consumption is expressed in song and dance. These festivals died out with the coming of the industrial era, but it was found that the rhythms which they had allowed in life had been useful and reinvigorating. The other effects were unnoticed, for they were not calculable in exchange values. In order to obtain, therefore, a reinvigoration, the reformers reintroduced the intervals in work, but now no longer as festivals. Significantly the intervals were called "bank" holidays, and they were thus made part of the economic life. They were times when even the banker ceased to bank; very different, indeed, from the older festivals,

which were days on which some great event had happened or some crisis in the life of nature demanded communal action. The new bank holidays, therefore, good as they were by contrast to the continuous toil which was the only alternative then imagined, are signs of a degraded civilisation.

It has been shown that (1) consumption can be analysed psychologically into many distinct group-activities; that (2) the moral standard implied in a standard of life operates through law and custom to define proper consumption, at least vaguely, and to express the responsibility of the consumer; and that (3) an ideal not yet operative indicates the defects of contemporary industrial civilisation which are due to incompetence in the arts of consumption.

But all this implies, in the theory of morals, that the art of life must be conceived as at least partly an art of enjoyment. To enjoy, however, is not to be passive, but to express oneself; and it has been shown above that morally all work should be such as to give the worker an opportunity of developing his personality. A similar statement must be made in regard to consumption. Here, too, a man should express himself. He is in part a member of a group of consumers or of many groups, and his taste should differ with that of his group. A civilised community cannot be one in which all men desire the same goods and services; but the different groups to which a man belongs are not all producing groups, and his tastes should differ, not because he is a coal-miner or a railwayman, but because he can see painting well and can see less perhaps in architecture or furniture. His communal life cannot be based solely or mainly upon his occupation; for he may differ in tastes from his fellows in the same

occupation, and in a civilised community differences of tastes are as important as differences of occupation. A man must express himself and his taste-group in his house or his clothes, in fact in all the goods and services he enjoys.

Community of taste is the basis for friendship, and in friendship, perhaps with an extended meaning, Aristotle correctly saw the chief ground of social solidarity. The underrating of the value of this community of taste, in morals no less than in economics, is probably due to the mistaken assumption that consuming is not expressive of personality but is a mere receptiveness. Here, however, we argue that a man's taste is an expression of himself or of something that he has to contribute to the general store of social life. What tastes he has in common with others (his friends or his "taste-group") are contributions of that group to the life of the community as a whole. Therefore a civilised community will consist of an interrelation of many such consuming groups which are usually called "circles" of friends.

(*c*) Organisation of Consumers.

It may, however, be asked if the grouping of consumers implies an organised consumption, for it is sometimes said that the consumer will never protect himself against the producer or fulfil his true function until he is organised. Clearly there is a place for deliberate planning of new demands. Clearly, also, if the consumer desires to protect himself against exploitation, he may have to organise. Thus in America there was an organisation of consumers to wear "overalls" instead of ordinary

woollen clothes, in order to restrain the rise in prices. But these are transitory measures for meeting particular difficulties; they do not touch the general problem.

The presentation of new ideas as to what goods and services are desirable is a function of the consumer, but at present this function is performed chiefly by those who have new articles to sell. The promoter of a company for manufacture of a new electric bulb may indeed increase and improve the public uses of light, but he is not dominated by the conception of social improvement, and he is normally the servant of the seller, not of the user. A market which is too small may be increased by the invention of new uses to which a commodity may be put, and this may improve the art of life. For example, when the market for rubber after the war was restricted by lack of effective demand, many rubber companies offered prizes for ideas as to new uses to which rubber could be put; but what was in the minds of the organisers of the industry was *not* the greater vitality or greater happiness of the users of rubber, but the larger gains of the owners of rubber. It is argued, therefore, that the consumers should be organised so as to promote themselves new ideas of goods and services. In actual experience this has occurred, for some of the improvements of living conditions have been due, not to producers, but to small groups of imaginative persons acting as consumers.

In regard to the requirements of public health, the standard of drainage now required in Western cities is largely the creation of small groups of men who acted as the sense-organs of the community of users. The improvement of drainage is part of

the art of life which goes to the maintenance of civilisation, but this improvement was the result of attention directed to the possibilities. The public, as it were, was organised as users when committees of investigators and medical men demanded sewers ; and by an extension of the same effort of attention, the demands for drainage developed into the demands for town-planning. Clearly, then, some small groups can be effectively organised to promote an improvement in the art of consuming.

The ultimate problem, however, will be whether all consumers as such can or should be organised. The solution cannot be given in those terms. A distinction must be made, for organisation may imply mechanisation or the establishment of routine. That is what it means in regard to a great part of the function of producing, as we have argued above. There are many acts which must be done which are best done mechanically or by routine, and, although artistic expression is the highest type of production, not all kinds of production can be art. So with consumption. There are many goods and services which can and should be used mechanically. The use of water and of space for movement should be possible without direct attention to them. But the most important elements in consuming cannot be made mechanical ; and if organisation implies routine, then consumers cannot be organised. The conservative tendency of taste, as we have shown above, is a psychological fact, and this is a sufficient basis for regularity of demand. It is fatal to taste always to want the same kind of goods or services or for great numbers to want the same.

It follows that organised societies of consumers, such as the Co-operatives, are valuable as a tran-

sitory protection against exploitation in a world dominated by the owners of capital, but have little to contribute to the development of taste in civilisation. The demand or standard of consumption expressed by such societies is not sufficiently subtle or varied. It is a valid expression of the need for *some* food and clothing, but is inadequate as an expression of the *kind* of food and clothing which is best. But the defects of Consumers' Co-operation, as at present organised, are, of course, due not to co-operation, but to the industrial system against which co-operation is a protest. The Co-operatives have greatly improved the tastes of their own members in defiance of the restrictions and degradation of taste which the workers have otherwise suffered as consumers. The function of Co-operative Societies as directing and developing taste is recognised by the most vigorous of their members, and this function explains the educational activities of the Societies. But it is an effort in an atmosphere hostile to the arts of choice and enjoyment. So long as potential demand cannot be made into effective demand because great numbers have not adequate purchasing power, Consumers' Co-operatives are essential and immensely important ; but for that very reason they express *minimum* needs, not skill in selection. What we have argued above, however, implies that the bare necessities of consumption are less important morally than the luxuries in which taste and imagination have free play.

One of the chief moral defects of the industrial system, therefore, is that only a few have free play for their abilities as consumers. The proportion of persons who can indulge their imagination as con-

sumers to-day is probably smaller than it was in ancient Athens or in mediæval Florence. The age is suffering from an " under-consumption " which appears not simply as bodily starvation, but as imaginative weakness. The amount and variety of goods and services which could be produced by a free use of all our knowledge and industrial organisation are curtailed nominally for the sake of " the market," but really for the sake of a " normal rate of profit " on the price. Restriction of output by the organisers of industry, for the sake of the owners of capital, has narrowed the field of consumption and confined within a small social group the art of choice and taste. It is therefore on the side of consumption even more than on that of production that the industrial system is defective. Civilisation cannot develop where the interests of those who control production take precedence of the interests of those who use the products.

CHAPTER VIII

CONCLUSIONS

Government and Industry.

Law and government are the embodiments or expressions of social morality in regard to many phases of life, and especially in regard to industry. Industrial and commercial legislation and administration have been already mentioned, but it is necessary to draw together the various statements made in earlier chapters in order that the function of the state in regard to industrial morality may be conceived as a whole.

It is assumed that the word state does not mean the complete or all-inclusive community as the Greek word *polis* did, and therefore that political theory is not the whole of social philosophy. There are many kinds of community or association of men in groups, and the state is that one grouping which exists for the sake of order and liberty, not for the sake of wealth nor for the sake of religious or artistic life, still less for the sake of "the good life" as a whole. This inclusive purpose, "the good life" of the Aristotelian religion of the *polis*, is aimed at or intended only by the whole complex interrelation of many associations of which the state is one. Order and liberty, the purposes of the state, are achieved by government, which has

two chief elements—legislation and administration, and the second is the most significant characteristic of a modern state.

Further, it is important that the modern state is an integral part of a governmental system which is world wide. Every state is affected by and affects all other states, and therefore, when the state is considered, it is essential to include a reference to the "external" relations of one government to another. There is a state system within which all states act, and there is already the beginning of international administration, not only in such organisations as the League or the Universal Postal Union, but in the more restricted and less continuous relations of the governmental offices of different states. Thus in regard to industry the Departments of Labour and of Commerce and the Treasuries of different states are in contact, forming, even apart from the diplomatic system, an elaborate inter-state organisation. It is this state system which is the basic political institution, but even this is not so inclusive of all human interests as the Greek *polis* was.

This summary is intended to indicate the limits of the subject in this chapter, for it is to deal not with community life in general, but only with the action of political organisations, parties, Parliaments, and Offices or Ministries, upon industry. In every state there is a section of laws dealing with currency, trade, and employment; and in most civilised states there are special Offices for the administration of such laws. Thus our subject will be Factory Acts, Companies Acts, etc., and Offices such as the Board of Trade and the Ministry of Labour. The problem is the precise function performed by such laws and

administration, a problem which affects the present subject because law is generally accepted as the embodiment of a moral standard. The state, then, is related to industry as a representative of some of the moral principles accepted by the community. Through law and administration the relations of buyer and seller, of producer and consumer, are organised with a view to current ideals of social justice.

At first sight it may seem enough to say that government moralises industry. We have shown above that Factory Acts, for example, make it more possible for workers to develop their personalities, and that Companies Acts make it easier for organisers of industry to fulfil their duties as agents. But when examined more closely this moralising of industry will be seen to indicate an important truth in regard to industrial morality in general, namely that it is now in a primitive stage. Industrial activities are not yet themselves organised upon the basis of a community formed by buyer and seller, and therefore they need the external support of the political community. The facts in regard to law and administration affecting industry will be assumed to be known. It is therefore unnecessary to give an analysis of Laws or a description of Offices; but, of course, the statement of principles on which Laws and Offices rest, which will now be attempted, assumes an analysis of existing facts. The principles are conclusions from evidence, not discoveries in another mysterious sphere of "mind" or morality.

(*a*) The first principle is that all industry depends upon government for its existence and operations. This should be obvious. Contract law, the punish-

ment of fraud, the security of property rights, are all the work of government, and without these neither production nor consumption of the existing type is possible. The art of politics is an essential preliminary to the economic art, and the attempt to reduce politics to economics is simply a confusion of thought. It follows that it is somewhat absurd to speak of government "interference" as the characteristic relationship of government to industry. Assistance is much more obvious than interference, and indeed there is no part of industry, there is no business, manufacture, or sale which is not dependent upon the political structure of society. Rights precede historically and logically all exchange.

(*b*) The second principle is that this "assistance" rendered by government to industry is a creation of "liberties" or spheres of operation for industrial practice. There are three distinguishable ways in which liberties are thus provided, namely those in regard to (i) currency and banking, (ii) trade and commerce, and (iii) employment.

(i) Currency is generally provided by the state, and power to extend currency given by the state to banks. How completely trade and manufacture depend upon the state or the political art may be judged from the effects of a currency which has been tampered with or inflated. Indeed, the first treatise on Economics after Aristotle, the *De Natura Monetarum* of Nicholas Oresme, is concerned with the danger that government might corrupt the coinage, and the problem is treated as though it were largely a matter of moral practice. Even to-day many of the problems of currency are deeply affected by moral acts, in spite of the fact that currency seems to be that subject of economic

theory which is most amenable to treatment by statistics. The state takes special action against counterfeiting of the coinage, and by manipulation of currency for political purposes the state directs the flow of economic life.

(ii) Trade and commerce are made possible by government, through Company Law, Bankruptcy Acts, Registrations, Trade Mark Acts, Commercial Treaties, etc. The principle is that the sphere of security in interchange and of the maintenance of contracts and liabilities is established by law, and this is the embodiment of a moral standard affecting industry. The law does not "limit," it extends the power of man in society, for without it very much less could be done. Of course, without the law a given rogue could gain more by tricks; but unless this were very exceptional, credit would be destroyed and trade would be impossible, which would greatly restrict the powers exercised under the present system. Therefore such laws are means of great moral development of intelligence, sympathy, and co-operation. The spheres of action, that is the "liberties" of business men, are increased by the operation of law. Law does not limit, it extends powers, and thus creates liberties; for it provides rights, which are the spheres of operation given to any man or group of men by their fellows.

(iii) Employment is governed by Factory Acts, Unemployment Insurance, Truck Acts, Trade Board Acts, etc. These make the position of some workers more secure and give certain bases upon which the "good" employer can rely as against possible exploitation of workers which the unscrupulous might otherwise practise. Thus these laws moralise the organisation of industry, providing greater

scope for the development of the workers and the skill of organisers ; and such acts also are assistance, not interference, for they make industry as a whole much more powerful and efficient. The moralising of the workers through industrial legislation is not to be thought of as if moralising meant only making their intentions virtuous, for here it is taken to mean an extending of intellectual and emotional powers in harmony. Employers as well as workers have been made by industrial legislation less primitive and barbaric. A larger place has been given to intelligence and more scope for subtlety of character. Thus government has moralised industry.

In all these functions the individual states of the world act singly upon the commerce and industry within the frontiers of each ; but many of them act together through the finance and transit sections of the League of Nations and through the International Labour Office. Thus, although there is no legislation strictly so-called governing finance, commerce, and employment on an international scale, yet by agreement between governments there is common international action by which at least a part of the state system of the world does for world industry what the single state does for the industry within its borders. Government moralises industry in the international sphere, and indeed government has been compelled to devise methods of international action because industry is international.

The question then arises why industry has not developed its own system for embodying the moral standards essential to it. Why is it that the state has in fact come to supply such organisation for industry ? The answer is not to be found in any

abstract theory of the state, but in the actual history of the growth of the present system. At one time, in the Middle Ages, the Church affected economic practice by regulations in regard to usury; and practice in regard to trade and manufacture was affected by quasi-religious confraternities called Gilds. Apart from a few survivals, however, the state has taken over the functions of the Church and the Gilds in regard to industry. Even in early times some regulation was state regulation, for the spheres of the different kinds of association were by no means clearly distinguished; but now the state has taken over all the economic regulations from other institutions, except some few new rules which will be mentioned later.[1] Religious organisations have lost social prestige and power since the Middle Ages, and the state has inherited some of the sacredness which once belonged to the Church. Above all, the state has been felt to be the embodiment of the spirit of a community, for in regard to the state loyalty and self-abnegation have been more general than in regard to any Church or other association. The state then became the natural exponent of the moral standards accepted by a real community.

The reason can be seen in the growth of the public opinion which led to such Acts as those for Factories and Trade Boards. First, political life in a quasi-democratic country demanded more opportunity for industrial workers to develop the qualities of citizens.[2] This goes far to explain the provision

[1] The few remnants of an older system of regulation, such as in the Hall Marks of gold and silver, are dealt with in my *Government and Industry*.

[2] By the qualities of citizens I do not mean the whole round of human virtues, but only the ability to judge political issues and to express that judgment.

of education as well as the securing of leisure or more adequate payment for workers. But there was also another reason for the opinion in favour of industrial legislation. That reason was more than political; for it was felt to be inhuman to permit the workers to enslave or degrade themselves even if circumstances made it likely that they would consent. This, however, implies that the industrial workers were felt to be human members of a living community quite apart from their power as voters in politics. The second great reason, therefore, for the action of the state was that the state stood for humane and civilised life.

This fact has seemed to lend support to those theorists who still continue to identify the state and the community, but for our purpose here it is enough that for certain purposes the power of the state was used to embody the humane feeling for members of the community. As a matter of fact there was not, and there is not yet any organisation or association representing the whole community of those who are concerned with industry. But if such an organisation had existed, it would have given the natural expression to the moral standard applicable to industry. The community of persons producing, distributing, and consuming in the industrial system implies the existence of some moral bonds or relationships. Industry itself is a moral fact, dependent very largely upon good character and good conduct in the persons concerned. It is not to be thought of as a non-moral or purely mechanical relationship which has to be moralised from the outside. It was not, therefore, because the state is necessarily or inevitably an exponent of morality in every sphere that the

state was used to moralise industry ; it was because there was in fact no industrial or economic community. The "good" employers, as they were called, and the more determined workers were quite unable to dominate the industrial situation and enforce the reforms required. The consumers of cheap products of exploited labour were not sufficiently alive to their own duties. The Church and other religious bodies were without intellectual power or social prestige, apart from the fact that many religious men thought that religion had no concern with exploitation. Therefore the only effectual instrument which reformers could use was the state.

But the fact that an authority outside the relation of buyer and seller was used to moralise that relation shows how primitive that relation was. The late appearance of the industrial system misleads many historians of economic life, for they assume that it is civilised or highly developed, because its material is more elaborate and its power more extensive than that of earlier economic systems. The truth is that morally, in subtlety and delicacy of social relations, mediæval economic life was more civilised than the primitive "pull devil, pull baker," which succeeded it.

The state, however, does not perform all the functions requisite for the moral organisation of industry. There are some survivals in most countries from earlier ages, as for example the assaying of precious metals in England by the Goldsmiths' Company. Here the trade itself continues to test quality and to guarantee what is good, but it is only a survival of the Gild morality of the Middle Ages. There are also methods of securing an estab-

lished standard of practice which have developed in more recent times, as for example when the Stock Exchange expels a fraudulent member. In the same way the Trade Union of manual workers may exercise some power over the wages and conditions accepted by its members. It expresses and develops the moral sense of comradeship. It expresses a social conscience in its customs and regulations and provides an opportunity for the growth of moral qualities of leadership and the choice of leaders. Thus the Trade Union is one of the chief means of preventing the minds of the manual workers from becoming mechanised or dehumanised.

Like the states of the world, the Trade Unions and Employers' Associations of each country have their international connections. There are customs of banking which support the organisation of banking in many different countries; there are price agreements and interlocking directorates which bind together firms of different nationality. Many great companies have shareholders of ten or twelve different countries. Similarly, the Trade Unions have their separate Internationals of the textile trade, transport and the rest, as well as the more comprehensive International Federation of Trade Unions. It is in fact very well understood by the workers that the coal-miners of Great Britain, for example, cannot hope to enforce their claims if the coal-miners of France and Germany can be used to defeat them. The influences exerted by Trade Unions and Employers' Associations upon the normal practices of industry, therefore, tend to become international; and all those influences which give stability and security to production or

give new opportunities of development to the workers are moralising industry.

All this shows how, apart from the state, industrial organisation is moralised by standards adopted and enforced among persons engaged in industry. Thus the state is not the only source of real moral practice in economic relations. Industrial organisations themselves assist in enforcing moral practices in economic affairs. Nor is this rare. All Employers' Associations and Trade Unions, besides merely protecting their members, enforce upon those members some rules which are expressions of a moral standard. Industry is not moralised from the outside. It is like other human co-operation, inevitably moral in its main features.

In many cases the state and the relevant industrial organisation co-operate in one institution, or a combined process ; for example, the Paris Bourse and the French Government act together in regard to foreign investments issued in Paris, the Trade Unions in England act with the Ministry of Labour in Unemployment Insurance. The result is a knitting together of the organisations of society for certain special purposes within the economic sphere. Indeed in any highly developed industrial country the co-operation of government and industrial organisations is so close as to give a further, unintended, meaning to the phrase that the state is a capitalist institution. Of course, in a capitalist society that must be so.

But one of the most remarkable instances of co-operation is the International Labour Organisation of the League of Nations. In its General Conference or Governing Body Governments are represented as well as Trade Unions and Employers' Associations.

Its activities are so far confined to the modification of the existing system of industry with a view to increasing the opportunities for the development of the workers. It enforces a moral standard that is internationally accepted. It is an instrument by which nations with advanced industrial legislation may influence those with more primitive customs. It provides an opportunity for the discussion of the influence of working conditions in one country upon those of another. So far its action has tended to " moralise " industry in many different countries, but it is still confined by the timidities and limited imaginations of the workers as well as of the employers. The International Labour Organisation, however, secures upon a wider plane the co-operation of governmental and economic organisation.

Thus there are (1) state actions in regulating industry, (2) self-imposed regulations within industry, and (3) joint operations of governmental and industrial bodies—all three kinds of social action being expressions of moral standards operative in economic relations. The field of production and consumption, of exchange, and of money values, is not, therefore, covered only by " natural laws " working mechanically, but is also covered by operative moral standards. These standards are not mere sentiments or professions of the enlightened few, but are the rules according to which all exchange is in part governed. There is no pure supply and demand, as natural forces. Economic science is an abstraction which, in order to be brought more closely into relation with real life, needs to be supplemented by the moral science or ethics dealing with actual law and custom. The sense of moral values is never wholly in abeyance in any relationship

between men, and it is certainly very obvious in economic relationships. Thus there is in the world of money values or of exchange a sort of community between men as producers and customers which may be called the economic community.

Industry as a whole, the system of production and consumption, is no more non-moral than government is. The depersonalising of all the relations of producers and consumers in the new industrial system gave prominence to natural forces in economic life, and this caused supply and demand to appear to the orthodox economists to be similar to electricity or gravitation. Personal contacts seemed irrelevant, and industrial development seems to prove them still more clearly to be irrelevant, for as the scale of enterprises grew larger, the "law of great numbers" became more applicable to economic life. There is a persistent but illogical superstition that qualitative differences and personal contacts do not affect any situation which can find a place in a statistical abstract.[1] It is therefore often necessary to repeat that industry as a social phenomenon is not fully described or explained in economic science. Industry is part of a whole social life which is meaningless if the parts be taken in isolation. As a part of social life industry is coloured by what are called personal likes and dislikes, contacts, emotions, and vague impulses which cannot be rendered statistically. But industry, so coloured and complicated, itself forms relationships between men which make them members of a community. The makers and the users together by their acts

[1] I suspect that Mr. J. M. Keynes' *Treatise on Probability* implies this superstition; but at certain stages in the discussion he appears to grant that qualitative differences are not numerically calculable.

create a social group which is distinct from the group of fellow-citizens, and not less important morally than the group we call the state.

The Community and the Economic Community.

By the economic community is here meant the contact between persons which is formed by exchange. It has been indicated above that this contact is not like a contact of stones or natural forces, but is moral; and of course no community would be formed by contact which was not in some sense moral. But the more complete explanation of the character of the economic community will be found in a description of social structure, which will serve to "place" economic relationships with respect to political and other such relationships. The Community, or Community "as such," includes all the human relationships of any man which together make up his complete social life. Ideally and in the abstract, then, the Community is the whole human race, but no one in fact, and very few even in imagination, have conscious relations with so large and vague a unit, and therefore the real community is the particular social whole or society for any one man.[1]

There are in existing society three prominent types of social co-operation: (1) the political, (2) the economic, and (3) the religious, scientific, and artistic. Clearly the division into three types of all the many complicated relationships of men must be only a rough approximation, and it may be correct only for the moment in advanced indus-

[1] This assumes the correctness of the conclusions of R. MacIver in his book *Community*.

trial civilisation ; but it serves to distinguish (1) the state from (2) the industrial organisation, and (3) churches, academies, and scientific societies.

Political organisation is the result of contacts chiefly between neighbours, and therefore the state is territorial. These contacts necessitate (*a*) regularity or continuous similarity of relationships called " order," and (*b*) a certain looseness of play in the working of the personal contacts, called " liberty." Law and government are for the sake of these. Men are citizens in their political relations to their immediate neighbours and to the Government they choose or support by their acquiesence. But the political community includes many states with independent Governments ; and the relations between peoples of different states may be political if they are not at war. The whole of humanity is now connected by political relationships, although, of course, the connections of some primitive groups are very slender. However, the connection is enough for us to say that all men are organised in political groups which aim separately or in co-operation at order and liberty.

Economic organisation is the result of the contacts between buyers and sellers who may or may not be neighbours. The relationship of exchange measurable by money creates a form of community different from the political. There is in the present industrial system common feeling between sections of producers ; there is less obvious and less powerful common feeling between producers as a whole ; and there is not much, but there is some, common feeling between those who make and those who use industrial products. If the contacts were as close and the relationships as conscious in the economic

as they are in the political sphere, there would be an organised economic community—not merely in the abstract for all humanity, but in actual operation in the life of every man. A man as a worker, organiser, capital-owner, or user and enjoyer, would feel himself to be part of a great whole, as the citizen feels himself to be part of his state. But as a matter of fact economic relationships do not normally form the basis for communal feeling, although they often create sectional groups. The argument, however, of this book has gone to show that whatever moral standards do in fact operate in industrial practice are expressions of at least a dim feeling of community between men in economic relationships. The economic community, then, is a vague and dimly conscious association which may grow into a separate organisation or may remain always in this semi-animate condition.

The economic community may be the subject-matter for the science of economic welfare, but if so, then economics, in its usual sense, is not the whole of the science of economic welfare, for usually economics refers mainly or entirely to "natural" forces, and discounts or abstracts from human will. If economics is mathematical in method and purpose, then it is only a partial study of the economic community. There are, of course, many natural forces or general facts in relation to supply and demand which no human will can change, as for example it is a fact that *if* all men buy in the cheapest market, supply will decrease as demand decreases; but there is nothing to show that all men do or ever will buy in the cheapest market in fact. The study of the whole life of the economic community requires attention to many other facts

not usually thought to be "economic." Clearly the greater economists always bear such facts in mind; but a popular tendency, not altogether inexcusable, makes economics seem to assume the absence of any but "economic" motives in the relation of modern employers and workers, or in the relation of buyer and seller. When a man buys a hat, his relation to the hatter as a seller, and excluding all questions of politics or religion, is never explicable entirely in terms of money; for he may choose this hatter because of his politeness, or his proximity, or the attractiveness of his shop. Of course, the price of the hat is an important issue, but there are other points which influence the buyer in his dealing with the seller, and not price alone; but all these other points go to the make up of the economic community. Thus business, manufacture, sale, and consumption are not simply matters of price, and the contact between persons which takes place in exchange of goods and services is various and complex. A community exists in the economic sphere because each person acting in an exchange is part of a whole of social life, and each is co-operating with the other. The hatter is assisting the buyer in his purpose, which is the adornment or protection of his head; and the buyer of hats is assisting the hatter, not only by contributing to his income, but also by improving his taste or skill in the distribution of hats.

Psychologically, most of this communal life is below the level of consciousness. There is hardly any feeling or awareness of the integration of the various acts they perform among buyers and sellers; at an rate, there is no dominant conception of

industry as a service or of consumption as a creative art. But the facts are there, even if few or none are conscious of them. Similarly in moral theory, as in psychology, we must allow for the existence of a moral standard within economic relationships, even if that moral standard is not as clearly conceived as it is in the sphere of law and government. Psychologically and morally the economic community is embryonic, but it exists.

Besides political and economic relationships, most civilised men have human relations of which the basis is religion, science, or art. In this sphere there are organisations still more loosely connected than those of the economic sphere, namely churches, chapels, societies, academies, universities, and schools. The social relationships which we are here classing together have this at least in common, that they are all primarily relationships to something which is not human—the divine, or the truth, or beauty. But this is perhaps too metaphysical a distinction for our purpose here. The more obvious distinction is that the organisation of this social type are all developmental or dynamic, leading forward to ideas or situations not yet realised. Hence Comte referred to them as "the Spiritual Power." They are the growth-points in social life, and by inspiration or enthusiasm transform both the political and the economic relationships of men.

It is necessary to allow for this type of social co-operation in distinction from (*a*) the political, and (*b*) the economic; for when men are working at science or art, they are not either (*a*) citizens or (*b*) producers or consumers; and to reduce the relation of teacher and pupil, for example, either to that of citizenship or to that of supply and

demand, is to omit what is most characteristic in that relation.

In early times and among primitive people the many species of this type of social relationship are subsumed under one organisation, the religious, and such organisation often precedes historically even the political. But among civilised people there is no single inclusive organisation such as the Mediæval Church was in Europe. The type of social life of which we are speaking is now organised in innumerable separate groups of very different kinds. There is, therefore, no organised community of religious, scientific, or artistic life, as there is for political purposes; and the feeling of common activity in this sphere is even weaker than in the case of economic relationships, for here a man may most easily seem to be an individual acting alone. For example, the artist or the scientist seldom feels the immediate contact of other minds when he is at work, and it is said that the greatest religious genius also feels itself isolated.[1] But there are, of course, even in this case intimate social relationships.

The three types of social co-operation thus distinguished make up together the social life of a civilised man, for whom therefore they form his community. Without them he might be, as Aristotle said, a beast or a god, but certainly could not be a man; for the life which we call human is thoroughly and in every part saturated with social relationships. This does not, as the Idealists have very well shown, make a man less individual, since individuality is the product or complement of social contacts, not of isolation. But this should be obvious

[1] Cf. Thomas à Kempis: "As often as I go among men I return less a man."

after reading Plato and Aristotle. The conclusion is that whatever is "against the community," as the phrase goes, is a degradation of human life, and if strikes or revolutions could be proved to be against the community *in this sense*, they would be thereby shown to be morally wrong. In fact, it is hardly possible to exaggerate the importance or the value of that complex of social contracts which is for each man his community.

That being so, it is necessary to discover precisely what status or position in the full life of the community is held by that one section of it which we have called the economic community. To put it in inexact and popular terms, should a man in order to increase his own wealth or wealth in general sacrifice political or religious or artistic goods? The answer which would naturally be expected is "No." But we cannot go so far or so fast. To take another but more difficult example, should a man or a nation risk the destruction of simpler arts or simpler faiths by developing untapped resources among primitive peoples? The answer is by no means obvious.

Wealth is a moral good among other such goods; there is no special virtue in having neither goods nor services to exchange. The poor may, indeed, be blessed, but if so it is in spite and not because of their poverty; and this is no concession to mere practical difficulties, but a conclusion from the premises which we have been using. A man's moral life may depend in great part upon the economic wealth which he is able to use, and in some cases it may be morally better to sacrifice artistic enjoyment for an increase of personal wealth.

It is not enough to say that wealth is a means,

and artistic enjoyment or political liberty are ends; for the practical problem is not a mere choice between any means and any end. There may be situations in which it is better to secure means towards a far-off end than to secure a final end at once.

It does not follow, then, that the economic community is definitely, always, and in every situation subordinate to the political or the religious and artistic. There may be situations in which the economic should predominate even on purely moral grounds. This, no doubt, is the truth underlying that form of socialism which reduces all social problems to economic terms. Although it may, indeed, be mistaken, it is quite arguable that no political or cultural improvement is possible at the moment or in certain countries until economic conditions are altered. And this idea is also, perhaps, the ground for the advocacy of "direct action" and "the general strike."

The age in which we now live is predominantly economic, both because its most characteristic problems are economic and because its chief intellectual interest is economic. It is therefore possible that in present circumstances it is morally right to concentrate attention upon economic life; and, indeed, if the economic community could be made more real, perhaps the evils of the present economic situation would be diminished. For example, if production were felt to be a common public service and consumption an artistic co-operation with or a direction of producers, there would be less friction between sections of producers and less exploitation of producers by consumers or consumers by producers. The situation would be more humane.

The exchange of goods and services would be more consciously accepted as a field for moral practice.

But it remains true that too great a concentration upon even the commercial character of economic life is morally dangerous. After all, the exchange of goods and services, however controlled, is meaningless without constant reference to the complex of many other social activities, that is to the community as a whole. The fundamental relationship, then, of the economic community to community life as a whole is one of subordination. Let us make this conception clearer.

It does *not* mean that in *any* crisis the state should take precedence of any other association or kind of community. The character of the state, however, in relation to the other kinds of community, does give it precedence in *most* issues, and in regard at least to its mere existence. In this matter we must be realists taking evidence from actual situations, and not depending upon any theory of pluralistic or unitary social structure. From the character of the modern state it can be shown that it takes moral precedence of most economic associations and in most cases. The modern state has two significant differences from states of other epochs: (1) it is the junction-point for different kinds of Social co-operation, and (2) it is part of a single world system. These differences are important not only in pure political theory, which is not our concern here, but also in regard to economic life; for the relation of the modern state to business or economic activities is quite different from the relation between government and industry in Adam Smith's time, both because each modern state has many more functions to perform

and because economic conditions (the world market, etc.) have brought all states into a much more similar position as regards commerce and finance. At present the state is, first, a centre of diverse ways of co-operating socially. This has been suggested above. The reference is to the different administrative offices of government; for the modern state has functions to perform in regard to (*a*) order, (*b*) wealth, and (*c*) social development. The three functions are represented in England by (*a*) the Home Office, (*b*) the Board of Trade and the Ministry of Labour, and (*c*) the Ministry of Health and Board of Education. Thus the State now acts not simply as a police force, but as part of the system of industry and of education. All social activities, that is to say the whole community, is somehow represented in the state. Were the state to disappear or to be weakened, not only would life and liberty be diminished, but also production, commerce, and intellectual growth.

This statement must be distinguished from Hegelianism. The state is not the community. It does not include all social life. It does not in every case morally demand final allegiance. But it is more than one among many other associations of men because of its peculiar relationship to other associations. It is at the centre. It is not the whole body, but it is more like the heart or the brain than like the arm or the leg. The varied life of the whole community is much more completely represented in the functions of the state than elsewhere, and although there are many other associations not necessarily subordinate to the state, yet these associations are not in general so closely or intimately concerned with *all* social activities. In symbol the

state may be said to be a circle smaller than, but concentric with, a larger circle which is the community. From the centre of both run three radii, cutting both state and community into three segments. These three segments represent the three aspects of communal or co-operative life. The state contains all three, and so does the community ; but the community also includes the state itself within its own circumference, whereas there are many associations of the community in its three aspects which are outside the state.

The state has its origin in the organisation for law and order ; but it has taken up in modern times some economic functions, and in still more recent times it has taken up education and health as parts of its sphere. Thus the state now forms a sort of central core containing all the chief aspects of community life, but only in a limited or restricted form. The result, however, is that the modern state is in most issues and for most purposes morally predominant over the economic community. The existence of the state and the development of its activities are more important morally than the maintenance of the organisation of exchange, and this not simply because liberty is morally more excellent than marketable goods, but because the political has in fact become the central meeting place for the systematisation of all communal life. It is in the functions of the state that the educational and the commercial interests of men are brought into closest touch and are related to the political.

Clearly the argument concerns " the " state, not any particular state ; for in some cases a particular state may not be worth maintaining in contrast

with an economic group. For example, some of the smaller states which become indebted to bond-holders are by no means morally superior to the associations of bond-holders. There may be actual states which ought not to exist, because they are devices for personal enjoyment or because they depress morally every person whom they affect. It is too abstract, therefore, to say that any state is a representative of the community. By "the" state we mean only what makes a particular governmental organisation into a group for the maintenance of order and liberty, and it is only as contrasted with "the" state that the economic community is subordinate.

With respect to the third great division of community life—the religious and artistic—the position of the economic community is also morally subordinate. In concrete terms, the exchange of goods and services should be dominated by that aspect of exchange which we have called above consumption or enjoyment, and the whole of economic life should be dominated by enthusiasm for knowledge and the products of art. By domination is meant something of this sort. When the test of science or of art popularly or generally used is not the economic value attaching to either, but the serenity or vigour of the spirit which may be derived from either, then we say that the economic is dominated by other standards. When the study of man in society is not mainly concerned with methods or habits of exchange, but with the growth of knowledge and the variety of artistic creation, then the economic is dominated by another conception of social life.

This is morally better, because there is a greater field for a varied and vigorous development of

personal abilities in the arts, the sciences, and religion than there is in the exchange of goods and services. Society is more humane, more vivid in its contacts and co-operations in science, art, and religion than in the economic sphere. It is therefore more civilised.

Such are the reasons for complaint against industrial civilisation, and for the belief that fifth-century Athens and mediæval Europe were more civilised than our own times. Such therefore are the causes of romanticism, reaction, or return to ancient ways. Here, however, we do not accept without correction the statement that earlier times were more civilised. It is possible that in some ways their civilisation was superior to ours, but it is not easy to show whether as a whole any one epoch is more civilised than another. It is more civilised to build York Minster than St. Pancras Station, not because a railway station is mean or unworthy of architecture, but because that railway station is bad architecture. We have lost the sense of space and strength ; above all, we have lost ease in our building arts.

It is not, however, enough to say that older civilisations were in some ways better. The phrase "in some ways" is an opening, not a closure, of discussion, as when Aristotle says "the mind is somehow all things" ; much virtue lies in the "somehow." The problem for us is precisely in what ways our civilisation is defective, and the answer is,—in artistic creation and scientific perceptiveness. But a further question lies behind. Every epoch of civilisation embodies or expresses a complete system, a whole of social life ; thus it is impossible to take a civilisation to pieces and compare its architecture alone with the architecture of another age, unless, of course,

we are specialising and concentrating attention upon architecture. The separate products or aspects of any epoch cannot be used singly as grounds for condemning that epoch. It is possible, then, to ask whether our civilisation is not better *as a system* than preceding civilisations. This does not imply a mere addition of products or aspects, but a reference to the relation of the aspects of a civilisation to one another. For example, we should then say, not that we have so much art, plus so much science, plus so much wealth, but that the proportion of these is good and their interrelation intimate and vivid. Now, is it possible to maintain that from this point of view industrial civilisation is the best? The answer is in the negative. There is art and science and elaborate exchange and effectual government, as well as many forms of religion; but the relations between these are of the slightest, often very crude and generally unstable. Industrial civilisation lacks unity. It is without the vital current which invigorates when it flows from one aspect of community life into another, when art affects manufacture and manufacture art.[1] Science too, although a claim is often made that industry is scientific, has not really affected the outlook of manufacturers, workers, or consumers; for it is not a real influx of reason into industry when a fool has a better machine given to him. The machine age has certainly led to a rational view of natural forces, and has displaced the old fetichistic view of nature,[2] but there is no real saturation of social

[1] It is implied here that the work of the Design and Industries Association is a moralising of social relationships, and particularly of art, which is sterile, and of industry, which is undisciplined.

[2] Veblen has worked this out.

life or of its economic aspects by scientific knowledge and the scientific attitude.

Is this a moral judgment adverse to industrial civilisation? Not altogether, for it implies not that the epoch is morally evil, but that it is morally in transition. It has often been remarked that whereas the Middle Ages had no doubt of their ideal, and reformers then had only to urge men to live up to it, now, on the contrary, we are in doubt whether any ideal before us is worth living up to. The problem for us is not *whether* to be virtuous, but *how* to be virtuous; not whether to do good, but how to do it. We are not in agreement, but that would not so much matter. The greater trouble is that few or none are assured of their own ideals. Thus the age does not so much lack ideals, for there are almost too many, but none of them have any social strength. No doubt there are good Christians who are in a way certain of what they want to be the practices of industrial life, as there are Socialists who know what sort of society they desire. But it seems that no such ideal has enraptured or transformed any group of men sufficiently to cause the achievement of a new and better civilisation.

Probably, however, the various ideals of the moment are undergoing some process of attrition, and perhaps the fittest will survive. There is, at any rate, throughout the industrial world a ferment of new ideas and new expectations. Men are not now content with the gospel of Samuel Smiles, nor does it seem so cogent as it once did when the old guard cry onward with production. We are less inclined to test even industrial power by the number of bad pins it can produce, and this not

simply because the worship of Supply and Demand is somewhat blown upon, but also because we are now conscious of social needs in politics, art, science, and perhaps religion, which do not come within the ambit of economics.

Thus one of the most significant moral facts in relation to industry to-day is that the moral standards applicable to industry are themselves developing. Practice in the economic art is often in advance of the civil laws and trade customs which govern exchange, and in advance of the best practice there is a growing social agreement upon moral standards which are hardly yet applicable to ordinary economic life. The economic structure or system is itself changing, greatly because of the interplay of natural forces; and probably the positions of workers, managers, shareholders, and consumers will change within the next fifty years even more than our economic system has changed since Adam Smith. In the change of the economic system, perhaps one of the active forces will be merely economic—a desire for more available wealth. But it seems likely that among the causes of change will be found a moral ideal or a standard of civilised life.

The Fundamental Problem.

The immediate problem of civilisation, however, is the method of realising the ideal—the ideal man in the ideal society; and, as the argument has shown, the full development of the individual man as well as the finest type of social life should exist somehow together. But a man may be called upon to sacrifice some opportunity of self-development for the sake of the life of the community, and, on

the other hand, a community may have to be sacrificed for the sake of a finer genius than it can produce. Thus industry must be tested morally, as other sections of human life are tested, by reference both to the opportunity it provides for self-development and to the opportunity it provides for service. As Alexander says: "The highest conception of the good man's action is that of free service to an order of life, which on the one hand depends upon him for its maintenance and on the other gives vent to his energies. Already in the family the scheme of such a principle is found in the care of a man for wife and child, prompted not by compulsion but by affection and rendered freely as his part of the domestic life. Morality is an extension of this free service." [1]

There is no proof that service will necessarily be identical with self-development in every case. Is service, then, to be regarded as morally superior to self-development, when there is a conflict? The answer is in the negative. At certain times, for certain persons, it may very well be morally right to refuse to serve, if their refusal is based upon their intention to secure a higher development than such service would make possible. The moral right of rebellion is the life-blood of any community. It may be best in some crisis to destroy the civilisation that exists for the sake of another. On the other hand, in most issues it is unlikely that a man will find his fullest development without rendering some service. No man is too great to be another man's servant. Socrates, disturbing the complacency of those who condemned him, nevertheless served them in his time as well as he has served us in ours.

[1] Alexander, *Moral Order and Progress*, p. 408.

But if there are these two elements in civilised life, it should not be imagined that they are contradictory in normal times. Generally the interests of the individual can be attained as well as the interests of the community. The only legitimate conclusion to the argument we have followed is that neither self-interest nor the interest of the community can be left to take its chance. Both require our attention. It is not true that one is inevitably reached if we aim at the other, for no "hidden hand" is guiding. But the good sense of ordinary men can generally contrive to follow a course of action which by one act serves the self and by another the community, but by most acts serves both. Civilisation is destroyed by public penury when the few are rich, but no community is civilised, however great its common store of wealth, if individuals are cramped and confined in will and in power. To reach the ideal, then, requires skill in the pursuit of distinct aims. A man must set his mind to his own full development, and also set his mind to the development by his service of a fine communal life. Thus an industrial system may yet be made the basis for a life worth living. Industry will then be an essential element in a true civilisation.

APPENDIX I

THE GROUP-MIND IN TRADE UNIONISM

Trade Unions are facts of which some account must be taken not only by the economist, the political theorist, and the historian, but also by the psychologist.[1] They have been studied adequately by those concerned with history and economic theory, but they are not yet given sufficient attention by the psychologist, in spite of the great recent development of social psychology. It is proposed, therefore, to attempt a very general analysis of the mental facts or events in the groups called trade unions.

Two preliminary assumptions must be made. First, the effect of mind on mind is to form a "mind-group," the formation of which does not limit or destroy the separateness of the minds so united. The "group-mind," which is imagined to be a new existent over and above the minds of the members of the group, is a fiction. For this reason it is often wise to distinguish the mind-group from the group-mind. The association of minds in groups is of many kinds; but while in all such associations the minds forming the group are reciprocally affected by

[1] Both Appendix I and Appendix II have been published in the *Journal of the National Institute of Industrial Psychology*.

mutual contact, each mind nevertheless remains a distinct source of volition, thought, and emotion.

Secondly, it is assumed here that the phenomena of British trade unionism may be treated as typical of trade unionism generally. A trade union, in this restricted use of the term, is a body of men and women of the same craft or occupation, generally wage-earners, who associate for mutual benefit and protection in the economic sphere. This limits the field of observation. The religious bond is not found in British trade unions as it is in those of Holland or Germany. Nor is the more political bond of socialism so prominent as, for example, in France or Russia. We are chiefly concerned with the mind-group of an occupational character. Differences of religion are not considered, and the differences of political philosophy among even British trade unionists are assumed to be of subordinate importance.

The mental characteristics of trade unionism are of two kinds, general and specific ; that is to say, some are characteristics to be found in most if not in all trade unions, others are characteristics which distinguish one trade union from another. The historical movement known as trade unionism is, in some aspects, one movement. The methods by which trade unions have won their present place in society are in most cases the same, and all trade unionists have felt and still feel a vague sympathy uniting them, in spite of differences of policy or character between trade unions. Again, the public generally tends to speak of trade unionists as a class within which distinctions are unimportant. This is a mistake, but it amounts to a recognition of similarities to be found among all trade unions.

The similarities provide the field within which the general characteristics of the mental outlook of trade unionism as a whole can be discovered, but clearly they do not diminish the importance of specific differences between trade unions.

General Characteristics.

(*a*) Tendency to Opposition.

The first general characteristic of the mental outlook of trade unionism is a tendency to opposition. The non-trade union world is viewed as if it were an opponent. Sometimes the attitude is one of vague suspicion and sometimes it is open hostility, but generally it is opposition. This characteristic is due to the historic experience of trade unionists. It is the result of the long years of opposition to trade unions from the middle of the eighteenth to the middle of the nineteenth century. Bitter memories can be inherited as many governors of subject peoples have had to learn. True, the situation is now changed, but the past is not so easily put out of existence; it survives in the mind-group. For over a century the outer world opposed and obstructed—by Combination Acts, by judicial decisions, by police measures—the efforts of wage-earners to organise their mind-group; therefore that mind-group came into existence in a fighting mood. Its determination to face and overcome opposition was necessary for its existence, and now the sense of opposition survives after the more urgent need for it has passed. It must not, however, be imagined that all need for it or all justification for it has disappeared. Law and Government, indeed, no longer obstruct trade unionism in

Great Britain as they do elsewhere; but large sections of the public, some even of the wage-earners and most of the middle class, still view trade unionism with hostility. The proof of this is to be found in the emotions which newspapers express during any great strike; for the common newspaper hostility to a strike is not due to any reasoning on the question at issue, but to a vague feeling of discomfort in face of a social phenomenon —the mind-group of the strikers. Some newspapers have now adopted the device of a labour column, but it still remains true that the greater part of the Press treat trade unionism as something contrasted with the community, perhaps thus correctly expressing the attitude of the greater part of their readers. This naturally puts trade unionists in opposition.

The tendency to opposition is not, of course, peculiar to trade unionism. It is to be found among groups of so-called Liberals or Radicals. It is, indeed, a mental characteristic of all groups whose early and most intense experience has been that of a minority; and one of the peculiarities of social experience is that this characteristic of a minority is sometimes preserved by the same group even when it becomes a majority. The tendency to feel that you are in opposition remains even when you are in control, if your early experience has been that of a minority winning its way against odds. This does not imply that the tendency to opposition will inevitably and always be characteristic of trade unionism, for indeed there are signs of its disappearing in the larger unions even to-day, and perhaps some day the past will be forgotten. But it is still true that in the majority of unions there is a feeling of being face to face with a hostile, or at least an unfriendly, outer world.

(*b*) Sense of Growth.

A second general characteristic is the sense of growth. All trade unions seem to feel that they are a part of a movement which has had a surprising development, promising perhaps a still greater future. It is, indeed, remarkable that in 1869 there should have been only about 250,000 trade unionists in Great Britain, in 1892 only 1,500,000; whereas in the Trade Union Congress of 1921 as many as 6,000,000 members of unions were represented; and the winning of these new fields for trade unionism has deeply affected the trade union attitude, for the advent of reinforcements naturally encourages any group. The loss of members during the depression of the past few years had a corresponding effect in the weakening of confidence among all trade unionists, but a temporary setback does not destroy a secular tendency. In general, trade unionism tends to increase with the development of industry. The specific changes which have resulted within trade unionism will be dealt with later. Here the common effect on all trade unionists, new and old, is most worthy of note. The sense of being part of a great and growing movement may lead at times to truculence or "uppishness," but by far the most common emotional result in Great Britain is a quiet confidence and self-assurance. The British trade unionist does not conceive his group as an immediate and absolute destroyer of established order; he is patient perhaps to the verge of inertia. This greatly annoys and puzzles Socialist groups on the European continent, but the British trade unionist persistently feels that the growth of his group, slow as it may

be, is marked by a consolidation and a determined progress which could not be achieved by spectacular "conversion" of the industrial situation. It would be difficult to say whether this is peculiar to the British mind or is simply the accidental result of the continuity of economic development in Great Britain. In any case, of the two general characteristics of a quickly increasing group, revolutionism and reformism, clearly British Trade Unionism embodies the second.

Specific Characteristics.

(*a*) Craft-Fellowship.

Of the specific characteristics of trade unions, some are due to diverse occupations. The mental outlook of any group of persons similarly occupied is naturally the same; this is reflected in their very language. Carpenters have a special language of their own, including words, which are not used by ordinary men, for the parts of doors and windows. Seamen have their own language; railwaymen have theirs. All these specifications are communal and do not occur except where there is a mind-group. The more the group is a co-operation between its members, the more useful the special language or special grouping of ideas tends to be. The looser the connection between the members of the group, i.e. the more "individual" the occupation, the less useful are the common ideas and words. The artist tends to develop an art jargon, but it is less valuable as a group instrument than the technical language of the carpenter. Indeed, a jargon is distinguished from a language because a language is a group-instrument, practical thought being a group enterprise.

The cause of a common language and its effect in keeping a group together are examples of the way in which occupational likenesses and differences result in mind-groups. Not only language, but dress, the time and place at which work is done, and the conditions under which it is done, all go to the making of the group. Men in such conditions think and act similarly, and in so acting affect one another. Thus the attitude and action of the trade unionist are consciously affected by the attitude and action of his fellows in the craft, and therefore the trade union tends to embody in a well-defined form the mental attitude of the craft. The prominence of customs in regard to apprenticeship in engineering unions shows the importance of tradition in this mind-group.

(*b*) Conservatism.

From this it follows that the mind-group in trade unionism tends to conservatism of craft or trade practice, and hence also the trade unions are sometimes looked upon as obstacles to changes in machinery or working methods. The long controversy as to trade union rules and the practices in munition works during the war would provide many examples useful to the social psychologist. It was easy enough for the unskilled and the general public to expect the engineering unions to be more flexible than they were, but those who have never before faced a social issue are seldom open-minded when that issue arises. The craft unions were expressions of a tradition. The mental outlook was stabilised by a common experience, organised in certain rules and customs. To shake or destroy such customs

necessarily increases the uncertainty of those who have found them useful, and the hostility to the uprooting of custom is one of the securities of all civilised life. The conservatism of craft unions is not therefore selfishness, but a contribution to the whole complex of civilisation.

This conservatism, however, is found not only in craft unions, but among all unions of similar workers, and it varies in intensity in proportion to the length of the occupational tradition or the absorbing character of the occupation. Unions differ in the way their members regard rules and customs. In some cases the whole of a man's livelihood may be endangered by a change of custom, as the cab-drivers knew when motor-cabs began to be used. But what endangers one man's livelihood may increase another's. Hence hostility between some unions, as during the war between the A.S.E. and the Workers' Union.

Differences which spring from methods of payment in different occupations also sometimes involve conservatism in one union and restlessness in another. For examples, workers who are paid a time-rate tend to think chiefly of large national issues, such as the length of the working day ; whereas piece-rate workers are more alive to personal risks of loss or small problems of detail. This contract will be found to distinguish the building trade unions from the engineering unions. But within the group of piece-rate workers there are differences of outlook. The cotton trade unions are much more conservative in outlook than the engineering unions, where workers are paid a piece-rate, because the piece-rates in the cotton trade are standardised and easily calculated. A well-known trade union Secre-

tary in the cotton trade obtained his post as Secretary by examination in regard to the technique of the trade and other facts on which the wage-rates are dependent. On the other hand, piece-rates on engineering work are complicated and are based upon variable factors. Hence there is more danger of rate-cutting in the engineering shops, and therefore the engineering unions tend to be suspicious, restless, and always on their guard.

(*c*) Simple-Mindedness.

Another specific characteristic arising from occupational differences is the simple-mindedness of certain groups. By simple-mindedness is meant the attitude from which reaction only occurs if issues are presented in a very simple form, as for example when a war is presented as a dog-fight. Some unions of unskilled workers consist of a continually changing membership. In some weeks the men and women may be unable to pay their contribution and fall out of membership. Thus a union may always have an average membership of a certain number, but the actual individuals may be different. The mind-group thus formed is very simple. The connection of each member with the others is slighter than in such unions as that of railwaymen. Similarly, a seaman's union is peculiar because the members while at sea are disconnected; when "paid off" they tend to leave the union, and some, while waiting for a ship, take up other occupations. The officials of such a fluid unity have exceptional independence, and the mind of the group is simple. Indeed, it is sometimes doubtful whether the voice of such a union expresses a mind to which anything at all is

contributed by the rank and file, for a mind-group of stay-at-home officials may be powerful enough to sway the continually changing rank and file. The crisis in such a union as that of the Seamen and Firemen comes when criticism of their officials takes the place in the members' minds of violent and simple hostilities to foreigners or pacifists. Seafaring and casual labour are not naturally spheres for trade unionism, and where union is achieved the resultant mind is "simple." Hence the phenomena of the I.W.W. among casual labourers in the lumber camps of the United States. In these camps men are without home, wife, or child; they are nomads, and their companions are always changing. They accept most readily the very simple organisation of the I.W.W., and they tend psychologically to express the very real inhumanity of their lives in crude, simple advocacy of a complete *boulversement* of the social system. To suppress such views or the organisation which embodies them is simply to drive the mental disease beneath the surface. The mind-group of such a class is the inevitable result of creating a nomadic group in the midst of an otherwise fixed population. This is an extreme example hardly to be found in British trade unionism, but the same kind of simple-mindedness exists in some unions, as a result of casual occupations.

(*d*) Mental Effects of Occupational Environment.

From the same occupational source come other differences in the characteristics of mind-groups in different trade unions. For example, the attitude

and emotions of a member of the National Union of Railwaymen are very different from those of a member of the Miners' Federation. The railwayman is always in contact with men of other occupations—passengers or traders ; if he is employed on the trains, he is often in different places, where customs and dialects differ. Further, in the very services he performs his world appears as a part of a much vaster and more complete world. The persons served are sometimes near at hand and obvious.

By contrast, the coal-miner lives in one spot surrounded by fellow-miners. His environment is homogeneous, and in that environment the coal-miner is clearly dominant. He does not see the persons who use most of the coal he produces, and is therefore more likely to regard coal-mining as a source of income than as a service. These are differences of occupational group-mind. But the positions of the two great organisations in the services add to those differences ; for the National Union of Railwaymen is (1) a very complex union of many different grades of workers, including women, (2) it is not the only organisation in the field, and (3) it does not include half of the workers on and about railways. The Miners' Federation, by contrast, is (1) much more homogeneous, although its members are divided by local differences ; it is (2) practically the sole organisation in the service; and (3) it includes 90 per cent. of the workers in and about coal-mines. Therefore the attitude of mind of the N.U.R. is more hesitating, more subtle, more amenable to external influences ; whereas the Miners' Federation is more downright, more intractable, and not easily swayed by public opinion. The

occupational characteristics of the mind-group have been reinforced and added to by the trade union organisation.

It should also be noted that in the case of workers who live apart from the rest of the community, the general public tend to be ignorant of their grievances and to be hostile to any assertion of their will. This reinforces the tendencies to "downrightness" on the part of the segregated group. Segregation of occupational groups may be of two kinds. In the case of the miners the areas are in many different parts of the country, but in the textile trades the workers are all in one part of the country. Further, the unions in the textile trades, especially cotton, preserve their distinction in spite of being federated, and the small union tends to be conservative. In the wool trade the unions are less highly organised and are less traditional in their outlook, although in them also there is evidence of a sense of living apart from the community as a whole.

(*e*) Mental Effects of Size of Union.

Another characteristic in the group-mind arises from the size and organisation of the units. Everyone knows that it makes a difference to one's attitude if one is a member of a large or of a small group. The characteristics of a citizen of a very small State are noticeably different from those of a great Empire, and in the same way the group-minds of trade unions differ. There are about one thousand trade unions still in Great Britain, each with a very small membership of a few hundred living in one locality and interested in a very narrow range of

activities. They are still hardly more than clubs or benefit societies such as existed in the early days of trade unionism. The group-mind of such small groups is usually narrow, conservative, and unaware of the existence of world industry. Their aim is negotiation for wages or conditions with small employers; their officials or their old members are opposed to the general tendency to form large units because they fear for their own prestige or the peculiar interests of their own little section. But like the small State or small unit of local government, these small unions preserve a group-mind which is very democratic, and they are perhaps the best training-grounds for "self-government." The attitude of mind which implies that the business of all is the business of each is more easily preserved in these small units than in the large amalgamations, and there is less confusion in regard to the position of "leaders" in the groups. By contrast with these small unions, the great unions or amalgamations such as the A.E.U., or a great federation like the Miners' Federation, have a type of group-mind which waives small issues and pierces to fundamentals. Men in large, varied groups naturally find that what is similar in the position of vast numbers is most important. Wages differ, conditions in different shops or districts differ, the characters of different employers differ; but everywhere some facts are the same—for example, the danger of unemployment, insecurity of tenure, control by irresponsible capital. Hence it is that the larger unions tend to base their policy not on negotiation as to wage-rates, but on modifying the prevailing system in industry. Hence the demand for nationalisation made by the Miners' Federation

and for " workers' control " by the National Union of Railwaymen.

From the large size of the groups new forms of organisation arise. Officialism is an inevitable result. The mental attitude among the members of the large union includes, therefore, a vague suspicion of differences of interest between the rank and file and the officials or the Executive. Hence the group-mind of the large union is often very excitable. The " leaders " must show that they are not traitors ; the rank and file must feel certain that their own outlook is represented in the action of their officials. Therefore, although the great union tends to take long views, it also tends to take strong views. The specific difference in the group-minds of different great unions is probably due to the different forms of organisation adopted. When the organisation is very highly centralised, as in the new A.E.U., modelled upon the old A.S.E., the Executive will dominate the formation of the group-mind. The Delegate Meeting may contribute something, but the Executive will always be at an advantage because it is a closely united homogeneous small body continuously taking what may be called the " central " point of view. On the other hand, the less highly centralised organisation of the Miners' Federation or the National Union of Railwaymen limits the power of officialism in the forming of the group-mind. The Excutive puts its case ; but even the Executive is heterogeneous, for its members come from distinct " grades " or leave distinct districts for each meeting, and are not all in the strict sense of the word central officials. They do not live at the centre of government, and they are therefore more easily influenced by the rank and file.

Importance of the Study.

Enough has now been said, not to cover the field, but to indicate a possible analysis of group-minds in contemporary society. Unfortunately, social psychologists are more familiar with the literature concerning savage tribes than with the daily experience of the majority in an industrial society; and therefore the governing conceptions of social psychology tend to be derived from the passions of aborigines and the peculiarities of a philosopher's household. The vast field of contemporary social life is left by the skilled psychologist and the philosopher to the mercy of economists who know nothing of psychology, and of historians who know nothing of ethics. For such reasons it may be important to call attention to the characteristics of the group-mind in trade unionism.

APPENDIX II

THE NEED FOR A PSYCHOLOGY OF BUSINESS MEN

Psychology in Economics.

Industry is a system in which the functions performed by manual labour can hardly be understood without reference to the work of managers, directors, and investors. Therefore the science of economics covers all such work. Economics is the study of banking, salesmanship, and industrial management, as well as of the uses of manual labour ; and this study involves constant reference to psychological facts, for all exchange of goods and services between human beings involves psychological attitudes and processes. But so far the psychologist has tended to confine his attention, within the industrial field, to the workers and their immediate superiors, such as foremen. This is too narrow a view of the province of industrial psychology.

Investment and Management.

The psychological make-up of a director of a company or of an investor may be most important to the success of an enterprise. Far be it from us to imply that there are any directors who are

incompetent or any investors who are ignorant. But as a great writer has said—if anything is bad, it is best to know the worst. In any case we may admire the more reasonably if we know more of the character of what we are admiring. Seriously, the study of the psychological phenomena in the life of a great industrialist may illuminate some issues in economics. For example, it is hardly possible after a study of the biographies of successful business men to believe that they were moved primarily by what is crudely called by the economists the reward of enterprise, or by the moralists the love of riches. It is possible that the chief psychological fact is their impulse towards realising their peculiar form of ability in the manipulation of men. The economists have often misinterpreted industrial life by reducing it too crudely to money-values. Of course money values are the concern of the economist, and not psychological states ; but the economist must not simplify the facts too much. The exchange value of a man's energy may not be very frequently in his mind ; but if it is, that is an important psychological fact. We cannot assume one or the other.

The organiser of any unit of production, either as managing director in a big combine or as owner-manager of a small enterprise, brings into play in performing his function many complex psychological forces. He may be governed by the desire for gain. On the other hand, he may be affected by the impulse to exercise power or to "express" himself. He may be swayed by the desire to found a family, or he may have no regard for private and family interests, if he is absorbed by the delight in exercising his power of organisation. But we

do not know what part all these psychological forces play in actual business. It is a problem worthy of careful investigation.

Without some such investigation we are not able to say what conduces to (1) efficiency in organising production, (2) public advantage in individual enterprise, (3) conflict between different "functions" in industry. The psychological factors not having been investigated, the popular explanations of industrial success or industrial strife are really quite childish: many of them are like the explanation of changes of the weather by reference to the phases of the moon. A better psychological knowledge of actual procedure in business would no doubt have practical results.

Such new and exact psychological knowledge would also tend to correct some of the assumptions in textbooks of economics. In these books the assumptions are still those of the old associationist psychology: they abound with unwarranted general statements about motive and incentive. They are untouched by new psychological methods and still speak of measurement of psychological data by money. Similarly the ethics implied in the idea of self-interest is assumed, although the psychology of self-interest has never been analysed. Some modern psychologists seem to imply that what the economist treats as the rule is really an abnormality, a self-complex similar to a sex-complex.

Again we do not yet know at all exactly the effect of group-custom or group-approval upon the psychology of the business man. What he imagines himself to be may be more important than what he really is. Metaphors such as "captain of industry," and gnomic morality, such as "business is business,"

imply a vast psychological background within which the individual business man feels himself to be working.

Psychological Determinants of the Trade Cycle.

Again, it has become a platitude to say that trade depression has partly psychological causes. The habits of mind in investors are therefore more material for investigation. What do they believe? What can they expect? What do they desire? A few vague replies can be found in economic textbooks; but the facts are psychological. Here is a vast field for investigators in social psychology. The evidence is obscure and has yet to be classified; but perhaps as soon as anyone sets about an investigation evidence will be found in unexpected places. Pigou in his *Economics of Welfare* has noticed that those who invest in new enterprises are different persons from those who invest in well-established "securities." There are probably psychological classifications implied here.

Directors and Shareholders.

Again, the relation of the different classes in industry involves psychological problems. The manager is often an instrument of the directors. The directors are supposed to be, but are generally not, instruments of the shareholders. In Mr. Carnegie's *Autobiography* there is an amusing disdain of shareholders. The conception of private enterprise is partly psychological, and it may be asked how a man could realise what is best in him if he is the instrument of another's will. Again, the

psychology of the transient shareholder, who buys shares and then sells out of the company, may affect very seriously the stability of an enterprise. Brokers and investment-bankers could give much evidence on such a point as this.

The Conditions of Demand.

Then there are the immense psychological problems of commerce and salesmanship,—not simply advertisement but the forestalling or creating of taste. Demand in economics implies very elaborate psychological processes. For example, a phrase like "the standard of life" covers a vast region for psychological investigation. There are psychological factors in "consumption," and the old-fashioned psychology assumed by some economists to the effect that consumption is satisfaction of desires is much too simple. Individuals or groups of men may be artists in consumption. They are not merely "wants" or bundles of appetites, but persons with an impulse to express themselves in a good dinner or a fine dress. It might take a whole school of psychologists to analyse all the facts with regard to the effect of taste upon industry or industry upon taste. The Design and Industries Association has much evidence on this.

The Need for Research.

The science of economics already assumes many psychological statements of doubtful validity; but that is not the fault of the economists. They would use the right psychology, if there were any to use; but there is none. There has been

no scientific observation by psychologists of the "behaviour" of investors or company directors, no exact study of the habits of mind which dominate the industrial system. Indeed, the position of economics to-day is in this matter similar to the position of political science before psychological observation began under the influence of Graham Wallas and such writers. No political philosopher now speaks so vaguely about public opinion or the will of the people as his predecessors did, because there has been some psychological analysis of the facts referred to in these ancient phrases. Similarly the economist might be assisted in his study of industry by exact psychological analysis of effort in work, group standards of honour, or standards of taste, the masterfulness of the so-called "captain of industry," and other such facts. The field of investigation should be clearly mapped and the methods of investigation carefully planned. We should then have a much more adequate view of the scope of industrial psychology.

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